Annexure A

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
Paarl | Wellington | Gouda | Saron | Simondium

WRITTEN COMMENTS RECEIVED ON THE 2021/2022 DRAFT BUDGET

<table>
<tr><th colspan="5">Written Comments Received on 2020/2021 Draft Budget</th></tr>
<tr><th colspan="5">Considered by the Mayoral Committee</th></tr>
<tr><th>Serial No</th><th>Date</th><th>Comment received from</th><th>Local Community / Other Stakeholders Comments</th><th>Senior Management Comments</th></tr>
<tr><td>1</td><td>21/04/2020</td><td>Cummings Guesthouse: M Visser</td><td>Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy.</td><td>It should be noted that a detailed exercise has been undertaken in preparation for the draft budget that was tabled in March 2020 to ensure affordability of services to the community as Council is sensitive to the affordability and sustainability of the tariffs to be imposed.

This resulted in the following scenario:
<table>
<tr><th colspan="5">TARIFF PROJECTIONS</th></tr>
<tr><th>Serial Number</th><th>Service</th><th>Previous Year Tariff Increase 2019/2020</th><th>Initial Projection for 2020/2021</th><th>Final Tariff Increase 2020/2021</th></tr>
<tr><th>Column Reference</th><th>A</th><th>B</th><th>C</th><th>D</th></tr>
<tr><td>1</td><td>Property rates</td><td>8.20%</td><td>8.40%</td><td>7.50%</td></tr>
<tr><td>2</td><td>Refuse removal</td><td>10.80%</td><td>10.80%</td><td>7.80%</td></tr>
<tr><td>3</td><td>Sanitation services</td><td>11.00%</td><td>11.00%</td><td>8.30%</td></tr>
<tr><td>4</td><td>Water services</td><td>6.00%</td><td>6.00%</td><td>6.90%</td></tr>
<tr><td>5</td><td>Electricity life line consumers</td><td>13.93%</td><td>13.93%</td><td>6.22%</td></tr>
<tr><td>6</td><td>Electricity domestic consumers</td><td>13.93%</td><td>13.93%</td><td>4.90%</td></tr>
<tr><td>7</td><td>Electricity all other consumers</td><td>13.93%</td><td>13.93%</td><td>6.22%</td></tr>
</table>
The initial projection for 2020/2021 was included in the 2019/2020 to 2023/2024 MTREF Forecast approved on 31 May 2019 and was used for revenue modeling during that process. This therefore illustrates the review done before COVID-19 struck and resultant decreased rise in rates and tariffs. Drakenstein Municipality needs to budget for a surplus, as it has to fund its capital budget for the following year as we are not able to take up any loans and grants received are minimal.</td></tr>
<tr><td>2</td><td>23/04/2020</td><td>Nieuwoudt Heerschap</td><td>Comments concerning Drakenstein Municipality's draft electricity business tariffs.</td><td>The main reason behind the change in tariffs during 2019/2020 financial year already was to ensure the efficient use of electricity and to get each consumer on the right tariff. We do not agree with the statement regarding the load factor. The load factor will increase by shifting (moving) the demand with the same amount of energy usage. This means that in order to spread your demand to lower demand timeframes, and that is exactly what is meant by more efficient usage of energy, you shift some load to prevent the simultaneous usage of equipment, to reduce the maximum demanded value.

The main purpose of TOU will be to spread the energy usage to a flat graph over the billing period (including to shift as much energy as possible to the cheaper periods, and together with the management of demand to the lowest possible value). To summarise, each and every one of the Bulk consumers accounts and usage pattern needs to be looked at individually to really understand if there really is a problem and to take it from there. The top 100 bulk consumers were contacted via e-mail to invite similar discussion.</td></tr>
</table>

Serial No	Date	Comment received from	Local Community / Other Stakeholders Comments	Senior Management Comments
3	26/04/2020	Stephanus Last	Proposal to review and take out projects that can be postponed especially certain events from the budget.	Due to the limited funding mix for capital investment for the 2020/2021 financial year we already decreased the capital budget as follow: 2018/2019: R563,766,161 2019/2020: R378,027,950 (Original Budget) 2019/2020: R293,413,739 (Adjustments Budget) 2020/2021: R216,972,433 With the impact of COVID-19 we did the excerice to ascertain what projects will not be able to start or be finalised and how that impacts on the 2020/2021 capital budget. There is definate savings identified in-year for 2019/2020 but there is limited space to cut back on capital programmes without impacting service delivery negatively as projects funded from own funding is only 29.2% of the capital budget. A major portion of R20 million of own funding is utilised as co-funding for the Oosbosch Street upgrade which is mostly funded by provincial grants. Another major own funding budget item is the Dalwes Substation of R6,4 million. Also this own funding serves as co-funding to grant funding. Own funding of the capital budget relating to water and sewer pipe replacements and the reseal of streets have been reduced to R4,75 million.
4	27/04/2020	Paul Buckle	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy.	See comment on serial number 1.
5	27/04/2020	Andre Joubert	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy.	See comment on serial number 1.
6	27/04/2020	Pierre du Toit	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy.	See comment on serial number 1.
7	28/04/2020	Drakenstein Community Forum, Drakenstein Business and Paarl Rate Payers Association	Comments on various issues: Headline inflation should be revised in the report	Headline inflation used by the municipality is as per Municipal Finance Management Act Circulay No. 99: Municipal Budget Curcular for the 2020/21 Medium Term Revenue and Expenditure Framework dated 9 March 2020. Compliance to this docment is also regulated by Provincial Treasury. This compliance is also addressed in the report attached as Appendix 1).
			New tariffs are too high taking in consideration of the negative effect of the Corona virus.	See comment on serial number 1.

Serial No	Date	Comment received from	Local Community / Other Stakeholders Comments	Senior Management Comments
			Concern regarding Drakenstein Municipality's gearing ratio.	Due to the fact that Drakenstein had to invest in infrastructure that stimulates economic development and the broadening of the tax base, the gearing ratio (external borrowings as a percentage of total operating revenue less conditional grants) exceeds the 50% mark. As a result of a slow down in the economy and operational pressures experienced by the municipality, the external loans of the Development Bank of Southern Africa, Standard Bank and Nedbank was restructured and no further external loans will be taken up over the next five financial years. This will assist in decreasing the gearing ratio to 72.4% at the end of the 2019/2020 financial year, before decreasing to 67.0% (2020/2021), 61.8% (2021/2022), 54.8% (2022/2023), 48.6% (2023/2024) and 42.7% (2024/2025). This will result that the gearing ratio decrease to below the National Treasury norm of 45% and within the 50% norm of Council's External Borrowing Policy.
			Comment on the high employee related costs.	The South African Local Government Bargaining Council (SALGBC) determines the cost-of-living increases by mutual agreement between the employer and the unions. A three (3) year wage agreement was concluded on 15 August 2018 providing guidance for the period 1 July 2018 to 30 June 2021. This agreement prescribes the use of the projected CPI increase for the 2020 period plus 1.25% for the 2020/2021 financial year. The 2020/2021 financial year is the last year of the current agreement and a new agreement will have to be negotiated. However, due to the negative impact of COVID-19 on the municipality's revenue streams no provision is made for any salary increments for all levels of staff to ensure that we remain financially viable over the short term. Recovery of the economy is projected to be slow and we have to be in a position to be able to be resilient to still maintain sustainability.
8	29/04/2020	DW Bourbon-Leftley: Financial Manager: Rupert & Rothschild Vignerons	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy. Reduce tariffs in line with headline inflation.	See comment on serial number 1.
9	29/04/2020	Johan Buys: Bergriver Business Park DHM Land Law Specialists	Comment and objections regarding electricity bulk tariffs and unresolved tariff dipute with NERSA.	The main reason behind the change in tariffs during 2019/2020 financial year already was to ensure the efficient use of electricity and to get each consumer on the right tariff. We do not agree with the statement regarding the load factor. The load factor will increase by shifting (moving) the demand with the same amount of energy usage. This means that in order to spread your demand to lower demand timeframes, and that is exactly what is meant by more efficient usage of energy, you shift some load to prevent the simultaneous usage of equipment, to reduce the maximum demanded value. The main purpose of TOU will be to spread the energy usage to a flat graph over the billing period (including to shift as much energy as possible to the cheaper periods, and together with the management of demand to the lowest possible value). To summarise, each and every one of the Bulk consumers accounts and usage pattern needs to be looked at individually to really understand if there really is a problem and to take it from there. The top 100 bulk consumers were contacted via e-mail to invite similar discussion.
10	30/04/2020	Pieter and Eloise van Schalkwyk	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy.	See comment on serial number 1.

Serial No	Date	Comment received from	Local Community / Other Stakeholders Comments	Senior Management Comments
11	30/04/2020	Chris Alexander	Comment on the new high tariffs above inflation of the municipality and the impact of the corona virus on our economy. Not affordable for pensioners.	See comment on serial number 1. Pensioners are included in the qualification criteria for indigent and financial assistance subsidy (paragraph 5 of the Indigent Support Policy). Additional assistance for pensioners above 70 years of age, meeting the criteria set in paragraph 12.2.4 of the Rates Policy, to receive 10% discount on rates payable.
12	2020/03/05	Rykie Boeke: 6 Onverwacht Wine Estate	Comment on tariffs that needed to be re-calculated because of the impact Covid -19 virus.	See comment on serial number 1.
13	2020/03/05	Etienne Boeke: 6 Onverwacht Wine Estate: Home owners Assosiation	Comments on high tariffs and the impact on pensioners.	See comment on serial number 1. Pensioners are included in the qualification criteria for indigent and financial assistance subsidy (paragraph 5 of the Indigent Support Policy). Additional assistance for pensioners above 70 years of age, meeting the criteria set in paragraph 12.2.4 of the Rates Policy, to receive 10% discount on rates payable.
14	2020/04/05	Western Cape Government: Integrated Planning and Budgeting Assessment: Anaysis of Municipal IDP, SDF and Budget. (Appendix 1)	Report received from the Western Cape Government on the Draft IDP, SDf and Budget.	Management's response on Provincial Government's comments are attached hereto as a PowerPoint presentation made to Provincial Government (Appendix 2).

Western Cape Government
Provincial Treasury

DRAKENSTEIN MUNICIPALITY

INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF MUNICIPAL IDP, SDF AND BUDGET

Western Cape Government

APRIL/MAY 2020

TABLE OF CONTENTS

LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBA	Critical Biodiversity Areas
CBD	Central Business District
CEF	10-Year Capital Expenditure Framework
CMLs	Coastal Management Lines
CMP	Coastal Management Plan
CMP	Coastal Management Programme
COVID-19	Coronavirus disease 2019
CPP	Coastal Private Property
CSIR	Council for Scientific and Industrial Research
D: ELE	Directorate: Environmental Law Enforcement
DCAS	Department of Cultural Affairs and Sport
DDM	District Development Model
DEA&DP	Department of Environmental Affairs and Development Planning
DEFF	Department of Environment, Forestry and Fisheries
DHS/DOHS	Department of Human Settlements
DLG	Department of Local Government
DM	District Municipality
DSP	District Safety Plan
DWA	Department of Water Affairs
ECD	Early Childhood Development
EFZ	Estuary Functional Zone
EIAs	Environmental Impact Assessments
EO	Environmental Officer
EPWP	Expanded Public Works Programme
ESAs	Ecological Support Areas
FBE	Free Basic Electricity
FBS	Free Basic Sanitation
FBS	Free Basic Services
FBW	Free Basic Water
FRP	Financial Recovery Plan
HSP	Human Settlement Plan
ICM Act	Integrated Coastal Management Act

IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
IPSS	Integrated Performance Support System
IPWIS	Integrated Pollutant and Waste Information System
ISDF	Integrated Strategic Development Framework
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
IYM	In-year Monitoring
JDA	Joint District Approach
JOC	Joint Operations Centre
kl	Kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MERO	Municipal Economic Review and Outlook
MFMA	Municipal Finance Management Act
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MRF	Material Recovery Facility
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
MTEF	2019 – 2024 Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NDHS	National Department of Human Settlements
NEM: AQA	National Environmental Management: Air Quality Act
NEMP	National Estuarine Management Protocol

NRW	Non-revenue Water
NT Database	National Treasury Database
NT LG Database Upload Portal	National Treasury Local Government Database Upload Portal
O&M	Operations and Maintenance
PMS	Performance Management Systems
PRTA	Project Segment Tabled Budget
PSP	2019 – 2024 Provincial Strategic Plan
RMAs	Responsible Management Authorities
RMP	Road Management Plan
S@S	Separation of Waste at Source
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SEP-LG	Socio-Economic Profile Local Government
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
TABB	Tabled Budget
VIP	Vision Inspired Priority
WC	Water Conservation
WCBSP	Western Cape Biodiversity Spatial Plan
WCG	Western Cape Government
WDF	Waste Disposal Facilities
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The annual assessment of municipal integrated development plans and budgets presents an opportunity to deepen and strengthen existing partnerships, as well as identify new areas for collaboration to promote the "Integrated Service Delivery' approach. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring and support role to municipalities as stipulated by the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and constitutional mandates. This report encapsulates comments by the Western Cape Provincial Government on the draft 2020/21 MTREF Budget, 2020/21 proposed amendments to Integrated Development Plan (IDP) and related documentation.

The assessment covers the following key areas:

- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR) and mSCOA regulations;
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and related documentation submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality. The Provincial Government plans to engage the executives of your Municipality via video conference on 4 May 2020 where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as taken up in the draft budget, IDP and related strategies and plans.

An overview of the detailed assessment report can be found below to provide the Municipality with a synopsis from each of the main sections of the report.

- **Public Value Creation**

This section seeks to assesses the Municipality's Integrated Development Plan as well as a provides an environmental analysis of the Municipality and how it collectively contributes to achieving maximum public value.

- **Economic Sustainability**

This section examines if the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to effect inclusive growth.

- **Financial Sustainability**

This section examines the financial health position of the Municipality through ratio analysis and assess the sustainability and credibility of the 2020/21 MTREF operating and capital budgets.

1.1 RESPONDING TO THE CORONAVIRUS (COVID-19): CONSIDERATIONS FOR MUNICIPAL PLANNING AND BUDGETING

The COVID-19 virus was recently declared a global pandemic by the World Health Organisation (WHO). On 5 March 2020, South Africa registered its first positive case where after new infections and transmissions spread rapidly across the country. Having considered the magnitude and severity of the virus and the possible future impact thereof on South Africa, the Minister of Cooperative Governance and Traditional Affairs on 15 March 2020 officially declared a national state of disaster as per section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). As the spread of the virus intensified, President Ramaphosa on 23 March 2020 announced a nationwide 21-day lockdown which would come into effect at midnight, Thursday, 26 March 2020. On 9 April 2020, the President announced the extension of the lockdown to 30 April 2020. Section 27(2) of the Disaster Management Act allows for the development of regulations to, for the duration of the state of disaster, assist, protect and provide relief to the public; protect property; prevent disruptions and/or assist with dealing with the destructive and other effects of the disaster in question. Such regulations were official proclaimed in the Government Gazette on 25 March 2020.

The spread of the virus impacts severely on the municipal budget and planning process insofar it coincides with the tabling of draft annual budgets, draft reviewed IDPs and SDFs in terms of section 16(2) of the MFMA. Given that municipalities were expected to table these documents before council by no later than the end of March 2020, most of the strategic planning priorities and associated budget allocations for the 2020/21 financial year were finalised at the time when the lockdown was announced. Municipalities did as such not have sufficient time to adjust budget allocations to properly reflect their respective strategic responses to the virus.

The purpose of this section is to provide tangible recommendations as to how Drakenstein Municipality can adjust, revise and review their tabled budget to mitigate the effects of the virus, albeit only within their mandated areas of responsibility. Upon receipt of the final budget documentation, the various departments will consider to what extent Drakenstein Municipality took cognisance of below mentioned recommendations.

1.2 PUBLIC VALUE CREATION

1.2.1 Environmental Management and Development Planning

- Directions in terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and related legislation:
  - In the absence of a national determination, on 26 March 2020 Minister Bredell issued a decision in terms of Section 47C of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) in terms of all matters for which Minister Bredell is the Competent Authority, to extend all timeframes in terms of NEMA (excluding matters related to Section 28, 30 and 31 of NEMA) and the EIA Regulations for two months (27 March 2020 to 26 May 2020), but the extension did not apply to actions related to decisions issued after the 21-Day Lockdown period.
  - On 26 March 2020 the Department of Environmental Affairs and Development Planning also issued a Circular (Departmental Circular: *DEA&DP 0003/2020*) regarding Minister Bredell's Section 47C timeframes extension decision as well as communicating a protocol for the administration of Environmental Impact Assessments (EIAs), Atmospheric Emission License (AEL), Waste Management License (WML) and Section 24G applications and related formal enquiries/requests in the Western Cape Province during the COVID-19 Lockdown Period.

- On 31 March 2020 *Directions issued by the Minister of Forestry, Fisheries and Environment in terms of Regulation 10(8) of the Regulations issued in terms of Section 27(2) of the Disaster Management Act, 2002 (Act No. 57 of 2002): Measures to address, prevent and combat the Spread of COVID-19* was published in the *Government Gazette* (Notice No. R. 439 published in Government Gazette No. 43190 on 31 March 2020 refers). (A copy of the Directions is available at: https://www.gov.za/documents/disaster-management-act-environment-directions-measures-address-prevent-and-combat-spread)

- As a result of the publication of the abovementioned Directions, Minister Bedell on 1 April 2020 withdrew his decision of 26 March 2020 in terms of Section 47C of NEMA, and also indicated that the abovementioned Directions replaces the Departmental Circular: *DEA&DP 0003/2020* issued on 26 March 2020. As such, only the abovementioned Directions issued by the National Minister of Forestry, Fisheries and Environment apply in the Western Cape Province.

- Municipalities must study the Directions of 31 March 2020 and consider the implications for the Municipality and its processes carefully. The following officials of the Department of Environmental Affairs and Development Planning can be contacted for guidance in this regard:

- In line with the Regulation R399 Disaster Management Act (57/2002): Directions made in terms of Section 27(2) by the Minister of Cooperative Governance and Traditional Affairs of 25 March 2020, Waste Management has been declared as an essential service, and is crucial to the management and containment of the spread of the virus, therefore a concern has been raised that waste from the households of infected or quarantined patients or those in self-isolation could pose a considerable risk if not managed appropriately. After consultation with the Department of Environment, Forestry and Fisheries (DEFF), the Provincial Department of Environmental Affairs and Development Planning (DEA&DP) proposed that the certain important measures be put in place by municipalities and households. On 27 March 2020 a *Protocol on Managing COVID-19 General Waste at Households* were issued to all municipalities in the Western Cape to guide municipalities on how to manage COVID-19 infectious waste at households. On 2 April 2020, DEA&DP Circular 0006/2020 was issued to municipalities and the Provincial and District/Metro Disaster Management Centres with respect to the Amendment to this Protocol, as a result of operational challenges expressed with household-level data not being made available due to patient confidentiality and ethical implications and the stigmatisation of patients under quarantine or self-isolation in households; as such municipalities would rather concentrate on hotspots.

- Subsequent to the protocol being issued an intergovernmental COVID-19 Waste Management Workstreams were established with Waste Managers and Environmental Health Practitioners, respectively that would coordinate, align operations and share information.

- Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) (SPLUMA):

    - Directions or an exemption in terms of SPLUMA have not yet been issued by National Government. If Directions or an exemption is not issued in terms of SPLUMA are not in the near future issued by National Government, Minister Bredell will consider issuing an exemption in terms of Section 60 of the Western Cape Land Use Planning Act, 2014 (Act No. 3 of 2014) (LUPA) which would exempt Municipalities from provisions of LUPA as well as the corresponding provisions of the Municipal Planning By-Laws. For more guidance

- The following official of the Department of Environmental Affairs and Development Planning can be contacted for guidance in this regard:

- Basic Service provision to Communities as well as De-Densification of certain Informal Settlements:
    - A number of Regulations, Directions and Guidelines have been issued by National Government (all available at: https://www.gov.za/coronavirus/guidelines) including related to basic service provision to Communities.
    - The Department of Environmental Affairs and Development Planning is working with the Department of Local Government and others to provide assistance to Municipalities in terms of basis service provisions. On 27 March 2020 the Department of Environmental Affairs and Development Planning also provides the Municipalities with a Protocol for Managing Covid-19 General household waste which is available from the Director Waste Management.
    - The Department of Environmental Affairs and Development Planning is also working with the Western Cape Department of Human Settlements, and other partners, in terms of possible de-densification of certain informal settlements as part of the COVID-19 Disaster Response interventions. For more information regarding proposed de-densification of informal settlements the Department of Human Settlements, as the coordinating Department, should be approached.
    - In terms of any environmental and planning regulatory requirements during the COVID-19 Disaster the abovementioned officials of the Department of Environmental Affairs and Development Planning can be contacted for guidance.

1.3 ECONOMIC SUSTAINABILITY

1.3.1 Budget Responsiveness

- The Covid-19 related lockdown comes amidst already dire macro-economic conditions which has seen South Africa slump into a technical recession while consumer and business confidence dwindles. Towards the end of March 2020, Moody's classified South Africa's sovereign credit rating to sub-investment grade. The country now has a sub-investment grade credit classification from all three major international rating agencies. The lockdown will have a catastrophic effect on industry as non-essential business are forced to shut down completely resulting in a drastic reduction in overall economic output, productivity and substantial job losses. The impact will be particularly pronounced in labor-intensive industries such as construction, manufacturing and mining.
- Heightened levels of unemployment and layoffs impact heavily on household income and as the virus spreads and the lockdown continues, households will become more strained. More affluent households will probably have sufficient disposable income and savings to absorb the impact of a prolonged lockdown. In low-income households, the impact will be more severe, also negatively influencing the ability to afford trading services. Many of these households will subsequently be classified as indigent which will require municipalities to provide free basic services. *It is therefore envisaged that municipalities should increase their allocations towards the provision of free basic services (budget schedule A10) at a rate substantially higher than the normal inflationary adjustments.*

- The lockdown and closure of industries will also potentially influence short-term migratory patterns as workers travel back to their families. The subsequent population changes will result in changed consumption patterns of trading services. Data on conventional household sizes might therefore be inaccurate and municipalities are urged to use such data with caution as part of their planning processes.

- To stop the spread of transmissions, authorities are proactively encouraging good hygiene practices which includes frequent washing of hands and deep cleaning. This will drive up household water and sanitation consumption which could prove problematic in especially rural areas of the Western Cape where many local communities are still battling the ongoing drought.

- The lockdown is also expected to have far reaching implications from an educational perspective. As economic hardship intensifies, many children might end up not returning to school when lockdown measures subsides in order to assist their families to generate income. This will in turn have far reaching implications for future earning potential which ensures the continuation of the poverty cycle. Unlike their more affluent counterparts, students in vulnerable communities do not have sufficient tools to facilitate remote learning. Municipalities can assist in this regard by looking into ways to improve broadband connectivity throughout low income communities, including informal settlements, which would allow students to access study material from within their dwellings.

- The physiological impact of the lockdown on informal settlements should not be underestimated. Communities must also guard against the spread of misinformation which can further increase stress and anxiety. Municipalities have an active role to play in this regard, by collating and distributing reliable and verified information.

- Crowded living conditions for prolonged periods of time will inevitably force inhabitants outside of the dwelling, breaking the prescripts of the lockdown. Communities can arguable also expect an increase in illicit activities relating to the movement of non-essential goods. Although the South African Police Service (SAPS) and SA Army are mostly responsible to ensure that communities abide by the lockdown regulations, an increase in localised criminal activities will strain municipal law enforcement resources.

1.3.2 Supply Chain Management

On the 30 March 2020, the Minister of Co-operative Governance and Traditional Affairs issued out directions in terms of Section 27 (2) of the Disaster Management Act to address the combat, prevent and combat the spread of COVID 19 in South Africa. This directive brings to the attention of municipalities and municipal entities to take cognisance of the following requirements as it relates to emergency procurement:

(i) Undertake emergency procurement within the Disaster Management Act, 2020 and the transversal contracts issued by the National Treasury;

(ii) Adhere to all the applicable National Treasury Regulations and MFMA Circular No. 100;

(iii) Decision-making that would have been approved by the Municipal Councils, will be made by the Municipal Manager on recommendation by the Chief Financial Officer with the concurrence of the Mayor or Executive Mayor;

(iv) Decisions taken must be taken in respect of an emergency nature and be reported to the first council meeting after the lockdown period; and

(v) Report all procurement undertaken during the disaster period to the first council meeting after the period has lapsed.

In view of the above, municipalities are urged to use the following procurement methods:

- Provide emergency procurement in terms of SCM Regulation 36;
- Provision in terms of Regulation 32 as it relates to national transversal contracts e.g. MFMA Circular No. 100 of 2019/20; and
- Tapping into the provincial disaster procurement systems as provided for by Department of Health and Department of Transport and Public Works.

Municipalities must also take cognisance of the following reporting requirements as it relates to the above procurement processes:

(i) Record the reasons for any deviations undertaken in terms of regulation 36(1)(a) and report such reasons to the next municipal council meeting and record same as a note in the Municipality's annual financial statements as soon as is reasonably possible post lock down;

(ii) Reporting to Council in terms of SCM Regulation 6, on any procurement processes followed in terms of SCM Regulation 32 at a convenient time to be arrange as soon as it is reasonably practical and safe to do so

Provincial Treasury will continue to guide and support municipalities regarding emergency procurement activities coupled to COVID-19. Further to this, the Provincial Treasury will be assisting municipalities post COVID-19 with systems and instruments to expedite the procurement planning process, with the aim to align municipal adjustment budgets and IDP deliverables.

1.4 FINANCIAL SUSTAINABILITY

1.4.1 Accounting

- Specifically, reprioritisation of expenditure will have to be carefully planned and managed. From a reporting perspective, the Municipality may have revisited the budget for interest costs, for payment holidays from finance institutions, can expect a sharper incline in unpaid debt due to the evident recession and the sharp increase in unemployment, and management may have to urgently revisit the indigent policy. This will necessitate the revisiting of the credit control policy.
- The Municipality is further encouraged to consider the re-assessment of its going concern ability considering the impact of the expected sharp increase in non-paying ratepayers. A further consideration is to reflect on the covid-related costs for goods and services which will be priced at a premium as there are indications of global shortages. Much of the efforts of the Municipality will be geared for humanitarian support, donations received must be considered and appropriately planned for. Lastly, as many of the expenses will have to be reconsidered, a re-assessment of the bad debt provision must be performed, and a relook at the repairs and maintenance budgets, and consequently, the impairment of assets as these expenditures are normally considered once all other critical expenses are considered.

1.4.2 Public Finance

- Revenue streams must be actively protected to mitigate the financial impact of COVID-19. A conservative approach should be followed when determining budget projections and collection rates in the short term as most business and households will feel the financial impact of COVID-19.
- All non-essential spending should be curtailed to optimise savings that relief pressure on operating budget and possibly be used for disaster relief.
- Strategic management of priority functional classifications of budget allocations and basic incremental increases to primary mandates and functions to ensure basic operational effectiveness (recurrent budgeting) should be undertaken, with savings and developmental project allocations channeled to areas of need identified through risk assessment while not losing sight of existing capital projects requirements;
- Where municipalities consider initiatives to reduce the impact of COVID-19 on businesses and economic households such as rebates, payment holidays, relaxation of credit control measures, the following is advised:
  - Municipalities must ensure that their liquidity and overall financial sustainability is not compromised;
  - When granting rebates to their consumers, all the relevant legislation should be considered, regulations such as Municipal Property Rates Act (MPRA) and the MFMA dealing with revenue management within the disaster management principles;
  - Municipalities must ensure that the relaxation of levying of interest for overdue payments for municipal services should be in line with Council's policies, by-laws and other applicable legislation;
  - Municipalities must from a tariff perspective, understand that the prohibition on increasing tariffs in terms of section 28(6) of the MFMA still remains. Any tariff increase required during this national disaster period will be considered on a case by case basis. Municipalities are however allowed to decrease their tariffs in-year. With regard to tariffs tabled as part of the draft budget, this is viewed as "indicative" and might change after the public consultation process. We therefore advise that whatever tariff is introduced or proposed as part of the draft budget tabled in March is indicative and municipalities are allowed to change the tariff (increase or decrease) before the final budget is adopted by the municipal council.

SECTION 2: PUBLIC VALUE CREATION

2.1 INTEGRATED PLANNING

INTRODUCTION

An Integrated Development Plan (IDP) is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development in a municipality. An IDP provides the strategic direction for all the activities of a municipality over five years linked to the council term of office.

Each municipal council must annually review and may amend the IDP of the Municipality. Should the review process determine that an amendment is required, municipalities are to follow the process as stipulated in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001 (MSA).

The 2020/21 review of the IDP of the Drakenstein Municipality (the Municipality) is the third review of the 2017 - 2022 IDP. The 2020/21 review of the IDP approach takes into consideration the assessment of the performance measurements of the Municipality and to the extent that changing circumstances so demand. Based on the review the Municipality has proposed amendments to the 2019/20 Reviewed IDP.

2.2 INTEGRATED PLANNING ANALYSIS

2.2.1 IDP Overview

The proposed 2020/21 IDP Amendment indicates that the vision, development priorities and strategic objectives of the Municipality remained unchanged and was aligned to the national strategic objectives, provincial vision inspired priorities of the Western Cape Government, as well as the strategic objectives of the Cape Winelands District (CWD).

The Municipality has identified key projects, programmes and initiatives linked to each strategic objective in order to respond to the key developmental challenges reflected in the proposed 2020/21 IDP Amendment. The projects, programmes and initiatives primarily relates to physical infrastructure provision that responds to the key challenges emanating from public needs.

The proposed 2020/21 IDP Amendment reflects that the Municipality conducted an analysis and identified key challenges for each of the 54 Key Focus Areas. The proposed 2020/21 IDP Amendment reflects the top community priorities in order of importance as follows: Housing; Job Opportunities; Safety and Security measures to combat crime; Visible Law Enforcement; Public Transport for rural wards; Roads Infrastructure – Speed humps; Traffic Calming in various wards; Play parks for children in wards; Assistance with Early Childhood Development (ECD) centres; and Electrical Infrastructure - street lighting.

Continued urbanisation and immigration to the Municipality for job and economic opportunities leads to uncontrolled growth of informal settlements and backyard dwellers giving rise to land grabs and illegal occupation of un-serviced municipal land leading to confrontation This explains why sustainable human settlements has been identified as one of the greatest challenges faced by the Municipality, with a huge backlog in terms of the provision of housing opportunities. Hence the management of informal settlements and the provision of services beyond the urban edge is increasingly becoming a challenge.

According to the Municipal Economic Review Outlook (MERO) 2019, the population of the Municipality amounted to 284 475 people in 2019, which accounts for 31 per cent of the CWD's total population. With a net increase of 22 400 people, the Municipality is projected to have the largest increase in population numbers between 2019 and 2024. It is further noted that an increase in population may result in a higher dependency ratio which may lead to increased pressure on social systems and the delivery of basic services.

The Municipality is however the most developed in the CWD with a Human Development Index of 0.72 as reflected in the proposed 2020/21 IDP Amendment and the MERO. The increase in learner enrolment from 47 601 in 2016 to 49 268 in 2018 only had a slight influence on the learner-teacher ratio, indicating that the education system is well equipped to adapt to an increase in learners. The grade 10 to 12 retention rate decreased by 2.8 per cent between 2016 and 2017 and then improved by 1.4 per cent to 72.6 per cent in 2018.

Risk Management forms an integral part of the internal processes of the Municipality and the proposed 2020/21 IDP Amendment reflects a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the service delivery capacity of the Municipality. As such, the proposed 2020/21 IDP Amendment notes the Municipality's top strategic risks as follows: Failure or inability to maintain and manage assets; Failure to communicate effectively with stakeholders; Failure to manage and mitigate the impact of adverse environmental drought), social, economic and other local, national and global conditions; Failure to manage municipal finances effectively and ensure financial viability; Inability to maintain acceptable service delivery standards in respect of core service delivery responsibilities; Inability to manage illegal connections; Inability to meet land and human settlement demands; Inadequate human resource management; Inadequate ICT planning, infrastructure and systems and Loss of economic development opportunities and inability to grow tourism and local economy.

2.2.2 IDP process

In terms of sections 28 and 29 of the MSA a municipality must follow a prescribed process when reviewing and/or amending an IDP and the key activities and deadlines for the process must be set out in a time schedule adopted in terms of section 21 of the Municipal Finance Management Act 56 of 2003 (MFMA).

Council approved a Process Plan on 31 August 2016 to guide the planning, drafting, adoption of the 2017-2022 IDP. On 22 August 2019 council adopted the legislative MFMA Time Schedule of key deadlines detailing the mechanisms, structures to be utlised as well as timelines for stakeholder engagement in the IDP process.

The Municipality's MFMA Time Schedule indicates community road shows are planned from 12 - 30 April 2020 to consult all stakeholders on the draft proposed 2020/21 IDP Amendment in order to obtain final input for the planning, preparation, tabling and approval of the 2020/21 budget and IDP.

2.2.3 IDP compliance

Section 26 of the MSA refers to the core components of an IDP and states that an IDP "must reflect" the municipal council's vision for the long term development of the Municipality; an assessment of the existing level of development in the Municipality; the council's development priorities and objectives for its elected term; the council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the Municipality in terms of legislation; a Spatial Development Framework (SDF); the council's operational strategies;

applicable disaster management plans; a financial plan; and the key performance indicators and performance targets determined in terms of section 41 of the MSA.

The Council minutes (File Number: 1638252) indicates the notification of the proposed amendment of the 2019/20 second reviewed IDP and reflects that in principle approval for initiating the amendment process was obtained by the Mayoral Committee members. However, based on a compliance assessment of the proposed 2020/21 IDP Amendment, the following requires attention:

- A memorandum setting out the reasons for the proposal in accordance with Regulation 3(2)(a) of the MSA Regulations was not attached to the proposed 2020/21 IDP Amendment.
- The proposed 2020/21 IDP Amendment does not reflect alignment with the District framework adopted in terms of section 27 of the MSA.
- Consultation with the CWD Municipality on the proposed amendment is not evident from the proposed 2020/21 IDP Amendment.
- The Municipality's 2020/21 MFMA Time Schedule is not clear that an IDP amendment process in accordance with Regulation 3 will be followed.
- The proposed 2020/21 IDP Amendment indicate partial alignment of the Human Settlement and Disaster Management Plans and notes no sector plans for Local Economic Development and Infrastructure Growth.

2.2.4 IDP alignment

Section 32(2) of the MSA state that the MEC may within 30 days of receiving a copy of an IDP, or within such reasonable period as may be approved by the Minister, request a municipality to adjust the plan or amendment in accordance with the MEC's proposal if it is in conflict with or is not aligned with or negates any of the development strategies of other affected municipalities or organs of state.

The proposed 2020/21 IDP Amendment has a table that indicates the status of essential sector plans and policies.

The proposed 2020/21 IDP Amendment recognises the Municipality's involvement in the Joint District approach which aims to facilitate improved planning, budgeting and implementation of service delivery initiatives in the municipal area.

Human Settlements and Transport

The proposed 2020/21 IDP Amendment provides an analysis of the current housing demand which is aligned with recent figures on the Western Cape Housing Development Data Base, however, alignment to bulk infrastructure capacity constraints and the impact on the roll out of housing projects in the municipal area is not evident.

The proposed 2020/21 IDP Amendment notes a list of human settlement related actions and activities however, it does not include nor refer to the municipal housing pipeline. The housing analysis used by the Municipality examines housing demand by categorising and describing the demand per geographical region, hence is fails to indicate how the demand led to selection or prioritisation of each specific housing project.

The proposed 2020/21 IDP Amendment reflects the need for cross border municipal planning in both Simondium and Klapmuts settlements in terms of human settlement development. While the proposed 2020/21 IDP Amendment notes human settlements and indicate specific projects in the capital budget,

The proposed 2020/21 IDP Amendment notes one of the challenges identified as being the geographic and spatial borders along the river, the train lines and main road, which enforces segregation however, initiatives to improve mobility and spatial transformation in this regard is not indicated.

The Municipality recognises the structural challenges that hamper growth and development from a mobility perspective e.g. the railway line that passes through the town of Saron, connecting several towns in the region, however Saron has no railway station. The proposed 2020/21 IDP Amendment reflects on transport and road related challenges however, the focus is mainly on areas linked to the growth agenda.

The proposed 2020/21 IDP Amendments notes various grant applications that are either approved or remains pending such as the Development Bank of South Africa grant funding approval of R4.0 million for Capital Expenditure Framework (CEF) and Infrastructure Master Plans. The proposed 2020/21 IDP Amendment indicates that a comprehensive ten year CEF is still to be compiled for the 2020/21 financial year.

Health, Social Services and Amenities

The proposed 2020/21 IDP Amendment indicates that the Municipality manages 4 ECD forums, covering the towns of Wellington, Mbekweni, Saron, Hermon, Simondium. The Department of Social Development is a stakeholder in this partnership which assisted the Municipality to develop an ECD Strategy for the area.

Youth development with particular focus placed on skills development to ready youth for the labour market is crucial and requires attention. The proposed 2020/21 IDP Amendment indicates that engagements were had with the local Disability Forum where a strong commitment has been agreed as to soon develop a strategy for both Disability and Gender respectively.

Investment in youth through education bursaries as part of the Municipality's efforts to enhance skills development is noted. Should bursary opportunities be promoted among high school learners, this could spark interest to improved academic performance and ultimately lead to an increase in skills based employment.

2.2.5 IDP Implementation

According to the proposed 2020/21 IDP Amendment, the Municipality is in the process of developing a catalytic low-income housing project known as Vlakkeland to address its pressing housing need. This project is implemented between the Mbekweni and Dal Josaphat areas in Paarl. Approximately 5 000 housing opportunities are in the process of development and major bulk infrastructure and engineering resources are currently being invested in the area.

According to the 2018/19 Annual Report the annual target was the delivery of 300 opportunities inclusive of providing access to services, top structures and temporary housing structures. Over 500 sites and 300 houses were under construction at the Vlakkeland housing development at the end of the financial year. As a result of persistent bad weather conditions that caused delays, the 300 housing units were only handed over to owners early in the 2019/20 financial year.

The 2018/19 Annual Report indicates that in terms of targets relating to basic service provision for example, access to basic level of water, sanitation, electricity and solid waste services, the Municipality achieved performances of between 99.5 per cent and 100 per cent for 2017/18 and 2018/19 respectively. In terms of targets relating to physical infrastructure provision for the period 1 July 2018 to 30 June 2019, the Municipality had either met or exceeded most targets relating to this key performance indicator.

In terms of the mid-year performance for the 2019/20 financial year, the Municipality's approved The Service Delivery and Budget Implementation Plan SDBIP contained a total of 29 performance indicators for the period under review. The Municipality achieved 28 of the 29 indicators measured for the quarter under review amounting to a mere 3.4 per cent variance between planned and actual performance.

At the current performance trajectory over the past financial years, the Municipality should achieve all basic service delivery and infrastructure services targets by the end of the term of office.

2.2.6 Key findings, risks and recommendations

The Adopted 2020/21 IDP Amendment:

- Municipality to update the population statistics aligned with the most recent information in the SEP-LG 2019.
- Undertake an exercise to comprehensively align all sector plans the Municipality has formulated to that of national and provincial priorities.
- Include a comprehensive ten-year Capital Expenditure Framework to ensure that bulk infrastructure services and internal infrastructure services together with the foreseen funding sources are planned for in an integrated and coordinated manner.
- Should reflect on inclusive access and mobility within the Municipality to prevent spatial inequality.

2 ENVIRONMENTAL AND PLANNING ANALYSIS

2.3.1 Compliance, Performance, Implementation and Changing Circumstances:

This section seeks to articulate the findings (from each legislated functional area) based on a verification process of the reviewed information, in terms of <u>compliance and performance</u>. This includes information extracted from the IPSS (WCMES), draft tabled budget, IDP/SDF and sector plans. The functional areas refer to the participating internal DEA&PD components and include the following; Biodiversity Management, Development Management, Waste Management, Pollution and Chemical Management, Coastal Management, Climate Change, Sustainability, Air Quality Management.

Additionally, where relevant, the <u>level of implementation</u> (what were the municipalities supposed to achieve in terms of compliance and performance) will be highlighted.

This section will, furthermore, consider any <u>changing circumstances</u> that might affect the planning and budgeting for the next financial year and highlight these where appropriate.

<u>Spatial Planning</u>

The SDF is in the process of being redrafted. It is anticipated that the new SDF will be approved together with the IDP towards the end of June 2020. The drafting of the SDF has been procedurally compliant to date. The final compliance step will be the advertising of the adopted SDF in the Provincial Gazette and the submission of the adopted SDF to the Provincial Minister and MEC for Local Government within 10 days of approval.
It is unclear whether the budget is reflecting the SDF as there does not appear to be a spatial indication of where spending is taking place. Although the SDF is included in the IDP, the Catalytic Zones and Big Moves identified in the IDP and the SDF and not referred to in breakdown of the budget.

Although on many fronts the Municipality is doing well in terms of implementing the SPLUMA principles there remains a concern that the area to the South of the N1, along the R301, is rapidly becoming an "enclave for the wealthy". Should this happen, the SPLUMA principles of efficiency, spatial justice, spatial resilience and spatial sustainability will be severely undermined.

Biodiversity

The SDF does not contain a table which specifically links Spatial Planning Categories (SPCs) to the relevant Western Cape Biodiversity Spatial Plan (WCBSP 2017) categories. However, it has included CBAs and ESAs as categories of their own with definitions, desired management objectives and guidelines which should be acknowledged. One of the sustainable development goals in the IDP list the need to halt biodiversity loss. Each urban node plan acknowledges the need for CBA protection.

Climate Change

Currently there is no dedicated legislative obligation on Municipalities to develop climate change response programme. However, aspects of the climate change are legislated for municipalities in the Disaster Management Amendment Act and the Spatial Planning And Land Use Management Act, amongst others. The Climate Change Bill is under development which will prescribe roles for local government.

The IDP recognises climate change to be mainstreamed throughout line departments since it is not only an environmental function. The Drakenstein Climate Change Response Framework was approved by Council in 2018 against an emerging risk for the Municipality. The latter policy document is listed as a strategic and spatial enabler throughout municipal projects. To drive mainstreaming, the Municipality will be implementing 1 climate change initiative from the CCAP in the SDBIP of each Department and develop a green audit tool for monitoring Department's' carbon footprint.

Waste Management

(a) Waste Management Planning

The Municipality has a designated Waste Management Officer (WMO) and has submitted a 3rd generation Integrated Waste Management Plan (IWMP) that meets the minimum requirements as stipulated in the National Environmental Management: Waste Act (Act No. 59 of 2008) as amended and is integrated with the IDP. The DEA& DP will send the Municipality an endorsement letter for the IWMP.

(b) Waste Information Management

The Municipality has 2 waste activities registered on IPWIS and reporting is done for:

1. Wellington Landfill
2. Paarl Material Recovery Facility

Drakenstein Municipality have reported for this period (100%) which is compliant. Drakenstein Municipality have reported 11242T waste diverted on IPWIS and have a waste diversion rate of 28 per cent.

(c) Waste Minimisation & Policy Development

The Drakenstein Municipality has a by-law that has been published in 2013, and their IWMP provides an outline of this by-law. Their by-law is aligned to the National Environmental Management: Waste Act of 2008. Very recently this municipality updated their by-law to include a full section on illegal dumping and littering and this is accompanied by very strong penalties for transgressors.

They also have waste minimisation measures to divert waste incorporated into the IWMP. Some of these measures include Wellington drop-off accepting recyclables including e-waste, cooking and motor oil. Chipped material is sent to a private recycler and builders' rubble is used as landfill cover. The Municipality also implements waste minimisation programmes like recycling, separation at source and supporting swop-shops.

The Municipality has an environmental awareness program with schools in their area and developed a mascot, Bin-Bin which is also used for school and community awareness interventions. Signboards and clean up campaigns also form part of the awareness programme within the Drakenstein Municipality. Interventions with other stakeholders are also evident in the IDP and IWMP (IDP review, 2019).

Drakenstein Municipality has transformed the Wellington landfill site from a crime hotspot into a safe, thriving recycling "centre", providing a source of income for 30 entrepreneurs. The project has been so successful that the Municipality has been approached by Metsimaholo Municipality in the Free State to establish a similar project. It has also been nominated and won a PETCO award.

(d) Waste Management Licensing:

The Drakenstein Municipality have 5 operating waste management facilities, but only one operational disposal facility, Wellington Waste Disposal Facility (WDF). The Municipality has appointed a service provider, Averda, to take over the day to day management of the Wellington WDF. The services they render include the chipping of historical garden waste at the facilities in the Municipal area.

The Municipality currently faces challenges in the form of historical waste that has been allowed to accumulate over years. There are large volumes of garden waste, construction and demolition waste (that still needs to be crushed) and asbestos stored at the Wellington WDF. The Wellington WDF has limited landfill air space and is fast diminishing. An application to increase the height of the WDF is currently underway.

The Municipality performs internal audits at its Facilities, but not at the frequency their environmental authorisations require them to do. The Municipality only performs external audits at the Wellington WDF.

<u>Air Quality Management</u>

Urbanisation gives rise to an increase in housing and economic development opportunities in urban settings. Inadequate controls and unsustainable planning in urban settings can lead to increased environmental pollution, particularly as it relates to ambient air quality, when air pollution from increased human activity negatively impacts the environment and the health of a community. Recent global events have highlighted the need for greater emphasis on urban planning to reduce traffic congestion, to prevent or reduce emissions, as well as to improve air circulation in industrial, commercial and residential areas.

In terms of Section 14(3) and Section 15(2) of the National Environmental Management: Air Quality Act (NEM: AQA), a Municipality must designate an Air Quality Officer and adopt an Air Quality Management Plan (AQMP) within its jurisdiction. To ensure that a budget is allocated for air quality management, each municipality must include in its Integrated Development Plan (IDP), an AQMP.
The Drakenstein Municipality has designated an Air Quality Officer and has adopted an AQMP, as per the NEM: AQA. However, the Drakenstein Municipality must allocate funding to implement the AQMP, particularly in terms of monitoring ambient air quality to manage potential air pollution that may result from increased urbanisation.

2.3.2 Strategic Support/Programmes Initiatives and Projects:

This section will include the APP, non-APP, SP and support initiatives for each District in terms of, for example, Waste Management, Water security and Disaster Management.

Spatial Planning

The Cape Winelands Joint District Approach Implementation Plan has identified a number of catalytic projects, to be dealt with in an integrated manner, such as:

- District and provincial assistance with the establishment of a Regional Waste Management Facility – for Stellenbosch and Drakenstein Municipalities.
- A "Managed Urbanisation Approach for Cape Winelands District" will be developed. Stakeholders will include Department of Social Development – Population Unit, Department of Transport and Public Works, Department of Local Government – Infrastructure, Provincial Treasury, Department of Human Settlements, Cape Winelands District Municipality, Drakenstein and Stellenbosch Municipalities and DEA&DP. In the end, what is required is a Guide which is normative in nature, and provides a set of principles, tools, practical actions (what are those 3 or 4 small things that Municipalities can do that will make a world of difference), and catalytic projects, etc.

Biodiversity

The need for eradication of alien invasive vegetation has been acknowledged in the IDP (p137 - 139) and Drakenstein Municipality's "parks and recreation service" is supposed to fulfil this function.

Drakenstein also has a "Biodiversity Strategy" but this was approved in 2006 and the biodiversity informants used are likely to be quite outdated. This document should be updated.

Desired management objectives and management guidelines have been provided in the SDF. Biodiversity and alien management is recognised as an enabler for development in both the IDP and the SDF. Both documents also make the link between protecting biodiversity and mitigating risk against climate change explicit. They in fact specifically mention managing biodiversity as part of their climate change adaptation plan.

Climate Change

The Climate Change Directorate is currently waiting for clarity on the requirements for municipalities of the Climate Change Act, once promulgated. This information will then be shared with municipalities and a Climate Change Municipal Support Programme will be re-established.

Access to finance for climate change response is a definite challenge for many municipalities. While the IDP lists implementing 1 cc initiative per department, the actual budget allocated to specific projects are not given. Experience in this regard, indicate a need for support at a provincial and national level to coordinate proposal drafting for global funding calls.

Waste Management

(a) Waste Management Planning

The DEA& DP will host a 2-day Integrated Waste Management Workshop in the 2nd quarter of 2020/21, which will cover various waste-related topics of interest to the municipalities. In the 2020/21 financial year, the DEA& DP will develop a Status Quo on Sewage Sludge and a Status Quo on current Municipal Transport and Collection of Waste. Further support can be provided on request from municipalities for Waste Characterisation training and studies. The DEA& DP has finalised the development of a Household Hazardous Waste Guideline and Minimum Requirements for the Appointment of Waste Managers to assist with the recruitment of appropriately skilled waste managers. The DEA& DP is also developing an annual reporting template for municipalities to report on the implementation of their IWMPs as per the NEM: WA requirements.

(b) Waste Information Management

For the 2020/21 financial year, one (1) IPWIS workshop will conducted focusing IPWIS waste reporting and addressing IPWIS Frequently asked Questions (FAQs).

The Department will inform selected municipalities' in writing 30 days prior, regarding IPWIS waste data audits to be conducted with selected facilities.

(c) Waste Minimisation & Policy Development

The Department currently has an Informal Settlement project for the enhancement of waste management planning and implementation within informal areas. This will further be presented to all waste managers for implementation in the 2020/21 financial year. Engagements on the Model Waste By-law will happen within various regions across the Western Cape.

(d) Waste Management Licensing

The Department has assisted with training to officials from the Drakenstein Municipality on how to conduct internal audits. The Department is in the process of assisting Municipalities through an Illegal Dumping Task Team to identify reasons for and solutions to illegal dumping. The Department plan to train municipal staff on the new audit protocol and Alternative Waste Treatment Technologies tool.

Air Quality Management

The Directorate Air Quality Management (D: AQM) provides a supportive and oversight role to Municipalities with respect to air quality management. The D: AQM co-ordinates quarterly Provincial Air Quality Officers' Forums, inclusive of Air Quality Management Plan Working Groups Meetings. The Forums serve as a platform for Air Quality Officers to develop a common understanding and approach to managing air quality in the Province, particularly as it relates to air pollution and air quality regulatory processes, inclusive of noise, dust and offensive odour management in their jurisdictional areas. All Municipal Air Quality Officers are required to implement the mandates of air quality management, as assigned by the NEM: AQA, and hence are required to attend and participate in the Forums.

Capacity building on air quality management also takes place at the quarterly Provincial Air Quality Officers' Forums; however, it is imperative that Municipalities make funding available to ensure that officials are capacitated via formal air quality management training programmes.

Aside from the Forums, interactions between the D: AQM and Municipal Air Quality Officers takes place on a regular basis, particularly in terms of addressing air pollution complaints and providing advice on air quality regulatory services in their Municipalities. In terms of the NEM: AQA, measures

in respect of dust, noise and offensive odour is a Local Government responsibility. It is therefore imperative that Municipalities develop and adopt Air Quality Management By-laws to ensure air quality compliance measures and intervention strategies in their areas. The Drakenstein Municipality has developed and adopted a By-law to ensure compliance to air quality management.

The D: AQM also regulatory engages municipalities where the Department has located an Ambient Air Quality Monitoring Station. Ambient air quality is currently not monitored in Drakenstein Municipality. The Municipality is encouraged to allocate budget to monitor ambient air quality in its jurisdiction. Noting the current economic constraints, the Municipality may opt to measure key criteria pollutants via passive sampling or low-cost air quality sensors, as these are more cost-effective than fully-equipped continuous ambient air quality monitoring stations. The D: AQM can be called upon to advise the Municipality on the use of the more cost-effective approaches to monitor ambient air quality in their jurisdiction.

2.3.3 Key Findings, Recommendations

Based on the narrative above, it will be determined if any adjustments or amendments are necessary. This will include highlighting any non-compliance or outstanding matters for consideration. In terms of compliance, certain sector plans may need updating and therefore the SDBIP must highlight this.

Spatial Planning

DEA&DP last commented on the Draft Drakenstein SDF at the end of February 2020. If the matter of how to prevent an enclave for the wealthy developing below the N1 in Paarl has not been addressed yet, we recommend that before the draft SDF and IDP (with the associated budget) are approved, this issue be addressed through these respective documents.

Biodiversity

Overall the SDF is quite comprehensive in terms of uptake of biodiversity considerations. What may add some value is Inclusion of a table as per Table 4.4 (or similar) on page 84 of the WCBSP 2017 handbook. Open space corridors and areas which will be managed for conservation must be clearly indicated on the SDF for each town. They need to be labelled differently from the CBA and ESA layers which are the informant behind prioritising which areas need to be conserved. More information could be provided on interactions with the Cape Winelands Biosphere Reserve and the Cape Winelands District Municipality and their alien clearing initiatives.

Climate Change

Despite the good intentions, the degree to which mainstreaming of climate change is throughout the IDP remain a challenge. It predominantly features in environment programmes which are generally not well resourced. The fact that a response framework exists is hugely positive and an effective way to secure support from the full range of departments in the Municipality.

Waste Management

(a) Waste Management Planning:

The annual report and Council Resolution for the adoption and approval of the IWMP need to be submitted to the Department of Environmental Affairs and Development Planning (DEA& DP).

(b) Waste Information Management

- All municipalities must submit data verification sources e.g. the Waste Calculator Reports, Service Provider Reports or Weighbridge reports to the Department by 7th of each month for the previous month.
- All operational waste management facilities need to register on IPWIS and report their waste types and quantities online in accordance with Annexure 1 of the Waste Information System regulations.
- IPWIS online waste reports need to be completed from January 2014 to date.
- Municipal Waste Facilities should request their service providers (recyclers) to register on IPWIS. This should be done to ensure that Municipalities are able to report on waste diverted from landfill and to provide an indication where waste is diverted to.
- Drop off facilities must be registered as a recycling/recovery activity on IPWIS.
- Consistency in reporting of all waste streams

(c) Waste Minimisation & Policy Development

The Department commends the Municipality for its innovation that not only improves waste management, but also the lives of the waste pickers.

To enhance waste minimisation initiatives and especially the Organic Waste ban implemented by the Department, it is recommended that the Drakenstein Municipality focusses on projects that diverts as much organic waste from landfill. In addition to this, the Municipality is requested to compile an organic waste diversion plan for the Department to review.

According to the GMC report, it is recommended that the Waste manager communicates the need for cleaner waterways with the informal community as this appears to be the main problem for this municipality. EPWP workers that may be from the area, could be trained to conduct awareness with community members in these informal areas. Furthermore, initiating more incentives-driven initiatives in low income communities can boost waste diversion rates even more. In these low-income areas, waste minimisation strategies such as separation-at-source is important and where possible, existing recyclers should be used to boost local economic development.

(d) Waste Management Licensing

Audits should be performed at all facilities as per their licence requirements and the audit reports should be submitted to the Department timeously. The Municipality should prioritise the removal of the stored asbestos at the Wellington WDF.

The Municipality must look at ways to extend the available landfill airspace for as long as they can. With the amount of Garden Waste present at the municipal facilities, the Municipality is encouraged to devise an organic waste diversion plan immediately. The Municipality must prioritise the chipping of garden waste at the Facilities in the area as these pose a fire risk.

Air Quality Management

A budget allocation to implement the Drakenstein Municipality's AQMP is required to be secured in its IDP to ensure that:

- Ambient air quality (passive or continuous monitoring of air pollutants via either a fully-equipped ambient air quality monitoring station or low-cost air quality sensors) is monitored;
- Air Quality Officers are trained in air quality management; and
- Air quality management intervention strategies are implemented in its jurisdiction.

The implementation of the Drakenstein Municipality's AQMP must also be measurable so that its performance and achievements can be assessed and reviewed after five (5) years, as required by the 2017 National Framework for Air Quality Management in the Republic of South Africa (DEFF, 2018).

SECTION 3: ECONOMIC SUSTAINABILITY

3.1 INTRODUCTION

This section examines to what extent the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to contribute towards achieving economic sustainability and maximising benefits for its residents.

An overview of budget allocations to strategic objectives exercise is conducted to understand the alignment of the tabled budget to its Integrated Development Plan. Furthermore, enablers of economic growth such as infrastructure and procurement will be analysed in relation to budget priorities and policies and an own revenue analysis will be performed.

3.2 SOCIO-ECONOMIC CONTEXT AND IMPLICATIONS

Table 1: Drakenstein Socio-economic indicators

Key Socio-Economic Indicators	NDP Goals	Local Context	Implications
Demographics	0.5% - 1% per annum by 2030 (Nationally)	1.5% per annum (Census 2011, 2016 Community Survey)	Population increase expected to place strain on municipal service; Dependency Ratios and impact thereof on National and Local Government.
Unemployment	14% by 2020	12.7% (2018) **(Western Cape Government, Overview of Provincial Revenue and Expenditure, 2019)**	Direct impact on household income, ability to afford basic services. More households register as indigents and qualify for provision of free basic services; further strain on municipal resources.
Education	A learner retention ratio of 90 per cent	Learner retention ratio – 72.6% **(SEP-LG 2019)**	Inability to afford school fees, increasing drop-out rates; less teachers can be appointed which in turn increases learner-teacher ratio; availability of library services at schools.
Health	Maternal mortality to fall from 500 to 100 per 100 000 live births	Maternal Mortality was 67 per 100 000 live births in 2018. **(SEP-LG 2019)**	Decline in health outcomes over the period indicates a decline in overall development in the area, decline in a healthy, resilient workforce and increase in pressure on government resources
Poverty	For zero households to be below the R418 monthly income poverty line	GDP per capita – R53,492.00; Gini coefficient – 0.60; HDI – 0.72 (SEP-LG 2019)	Lower per capita income amidst constraining economy and population increase; income inequality and Gini coefficient; Human Development Index is improving; poverty translates to greater reliance on social support structures.
Safety and Security	For all citizens to feel safe and free of the fear of crime	43 murders per 100 000 people (CWD 37 murders per 100 000) (SEP-LG 2019)	Closely linked to other social-ills, crime hampers growth, discourages investment and capital accumulation, cycle of crime and poverty.

Comments:

- The Drakenstein area is the most populated area across the Cape Winelands District with a population of 284 475 in 2019. The population projection for Drakenstein is expected to grow to 301 349 by 2023, equating to an average annual growth rate of 1.5 per cent. This figure is on par with that of the District (1.5 per cent) for the same period.
- The unemployment rate for Drakenstein (12.7 per cent) outstrips that of the CWD as a whole (9.5 per cent) in 2018. However, the Drakenstein unemployment rate is significantly below the Provincial average (17.7 per cent) which is somewhat reassuring given its "Secondary City" status and its position as an Economic Growth Node.
- The learner retention rate for Drakenstein (72.6 per cent in 2018) has been marginally regressing since 2016, but is still higher than any of the surrounding municipalities across the CWD. The retention rate for the Western Cape was 66.8 per cent in 2018.
- In relation to Poverty, Real GDPR per capita (constant prices) for the Drakenstein region was recorded at R53 492 in 2018. This is significantly lower than the Western Cape average of R60 079. Within the CWD, Stellenbosch with an amount of R63 009 in 2018 far outstrips the surrounding municipalities in terms of GDP per capita. Furthermore, this becomes more worrisome given the rising population growth rates which outstrips that of Economic Growth rates for the same period.
- In relation to income inequality, the Gini coefficient of Drakenstein (0.60) in 2018 is marginally below the Western Cape figure of 0.61 but on par with the CWD figure of 0.60 in 2018. In a similar trend to the surrounding municipalities across the CWD, a slight upward trend (from 0.58 in 2012) is prevalent in the Gini coefficient for Drakenstein for the period 2012 – 2018.
- An overall improvement in human development is observed across the entire Western Cape with HDI levels increasing in all districts between 2012, 2015 and 2018. In 2018, the HDI score for Drakenstein was at 0.72 slightly below that of the overall Western Cape at 0.73.

3.3 KEY BUDGET PRIORITIES IN TERMS OF IDP STRATEGIC OBJECTIVES

The 2020/21 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. Drakenstein Municipality budgeted for a total operating expenditure of R2.504 billion and a total capital budget of R217.1 million in the 2020/21 financial year.

Table 2: Strategic Objectives for the 2020/21 Medium Term Revenue & Expenditure Framework

Strategic Objective	2020/21 Medium Term Revenue & Expenditure Framework OPEX				2020/21 Medium Term Revenue & Expenditure Framework CAPEX			
R thousand	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth	Budget Year 2020/21	Budget Year 2021/22	Budget Year 2022/23	Average Annual Growth
To promote proper governance and public participation	58 075	61 761	65 754	6.4%	–	–	–	–
To ensure the financial sustainability of the Municipality	50 021	53 656	57 688	7.4%	1 500	–	–	-100.0%
To provide an effective and efficient workforce	183 440	187 513	196 483	3.5%	2 587	2 700	3 950	23.6%
To ensure efficient infrastructure and energy supply	1 713 795	1 822 421	1 914 516	5.7%	195 322	91 129	88 332	-32.8%
To facilitate sustainable economic empowerment for all communities within Drakenstein	46 515	50 940	54 211	8.0%	–	–	–	#DIV/0!
To contribute to the health and safety of communities in Drakenstein	231 030	240 531	250 110	4.0%	2 300	3 000	3 120	16.5%
To assist and facilitate with the development and empowerment of the poor and the most vulnerable.	222 056	226 512	235 936	3.1%	15 440	16 650	17 300	–
Total Expenditure	**2 504 930**	**2 643 333**	**2 774 698**	**5.2%**	**217 149**	**113 479**	**112 702**	**-28.0%**

Source:SA5 & SA6 Drakenstein Municipality, A-Schedules

Comments:

- The strategic objectives included support Schedules SA5 and SA6 perfectly align to those detailed in the IDP Review document. This is a consistent feature of Drakenstein's budgeting and extends to its annual and quarterly Performance monitoring as well with the SDBIP/section 52 reports following suit.
- Capital budget allocations are however heavily weighted towards the strategic objective: *"To ensure efficient infrastructure and energy supply…" with R195.3 million (or 90%) in 2020/21. A similar trend persists across the ensuing MTREF*. Although the substantial allocation towards infrastructure expansions is commended, the Municipality should consider distributing funds more equally amongst the various objectives in an attempt to adhere to the "Balanced Budget" approach.
- This being said, expanding the current energy network is a primary basic service delivery priority and hence the capital budget responds adequately. The consistency in allocations across the MTREF for this specific strategic objective is to be commended and indicates a clear vision within the Municipality on its core mandate being Basic Service Delivery.
- The prioritisation of infrastructure developments (drought management strategies, water security, water loss targets, repairs and maintenance allocations, upgrades to infrastructure) is a cornerstone of the Municipality's broader economic development strategy which in turn aligns well to the Municipality's various infrastructure plans detailed in the IDP Review.
- Furthermore, this specific path being pursued by the Draft Budget allocations aligns with the Vision Inspired Priorities (VIP's) encapsulated in the PSP (2020), more specifically the VIP linked to "Growth & Jobs."

- The bulk of the 2020/21 operating budget (68.4% in 2020/21) is also directed towards the infrastructure-related strategic objective mentioned above. This focus bodes particularly well for increased operational costs associated with extending the basic services network.
- The relatively small Opex (R46.5 million) allocations towards the facilitation of sustainable economic empowerment for all communities within Drakenstein in 2019/20 is a cause for concern considering that the IDP Review list this objective as being a game changing priority. This is a repeated finding.
- The Opex allocation of R183.4 million towards the provision of an effective and efficient workforce to deliver quality services reaffirms the Municipality's drive towards being proactive improving day-to-day operational capacity to ensure enhanced service delivery.

3.4 PROVINCIAL RESOURCE ALLOCATION

Table 3: Provincial Payments: Drakenstein Municipality

Department R'000	Outcome			Medium-term estimate			
	Audited 2016/17	Audited 2017/18	Audited 2018/19	2020/21	% Change from Revised estimate 2019/20	2021/22	2022/23
Department of Community Safety	1 808	952	943	746	3.61	769	792
Department of Education	761 245	808 697	869 944	999 186	6.80	1 057 064	1 114 000
Department of Health	611 974	654 391	705 552	808 040	6.15	854 623	893 996
Department of Social Development	86 951	17 682	96 101	20 862	5.50	22 009	23 065
Department of Human Settlements	24 200	105 564	104 594	60 160	(55.11)	63 469	66 516
Department of Environmental Affairs and Development Planning	701	3		1 000	284.62	1 500	
Department of Transport and Public Works	162 980	99 010	103 032	402 122	212.78	407 740	427 311
Department of Agriculture	28 188	28 687	475 470	34 366	(85.39)	39 044	42 765
Department of Cultural Affairs and Sport	15 083	19 041	21 784	18 487	8.29	19 504	20 577
Department of Local Government	214	318	255	247	(19.28)	254	246
Total	**1 693 344**	**1 734 345**	**2 377 675**	**2 345 216**	5.03	**2 465 976**	**2 589 268**
Total Transfers to Drakenstein Municipality	59 979	123 005	176 942	172 519	20.98	117 559	101 224
Transfers as a percentage of Provincial Payments and Estimates	3.54	7.09	7.44	7.36	15.19	4.77	3.91

For the 2020/21 financial year, Provincial Government will spend an estimated R2.345 billion in Drakenstein. The highest spending departments are Education (43.0 per cent) and Health (34.0 per cent of total spend and Department of Transport and Public Works (17 per cent) of total spend. Together these three departments represent 94 per cent of Provincial Government spending in the Drakenstein region.

The notable allocations accruing to Education and Health (key Provincial mandates) are welcomed given the "Secondary City" focus surrounding Drakenstein. Key social infrastructure is a pre-requisite for overall development and welfare improvement across a specific region. The Municipality is currently under strain given the provision of Education and Healthcare services, even more so given the influx of job seekers in search of employment and general services (Social and Basic Services).

Rising learner enrolment (1.7 per cent, SEP-LG 2019), Educational facilities (67, SEP-LG 2019) and Learner retention (72.6, SEP-LG 2019) as well as Healthcare facilities (17 primary healthcare facilities) and a growing malnutrition rate (3.0) is further proof of the growing demand for social services across the municipal region.

The actual transfer of funds (i.e. grants) to Drakenstein is relatively small (7.4 per cent) compared to the estimated spending of Provincial Departments within the municipal area.

3.5 ENABLERS OF ECONOMIC GROWTH AND DEVELOPMENT

Infrastructure as an enabler of economic growth

Infrastructure development is not only beneficial to the economy in the short term but also creates the conditions for sustained competitiveness, growth and jobs, both in developed economies and in emerging markets.

Access to infrastructure provision promotes human development and a better quality of life through improved productivity and sustainable economic growth, specifically, public infrastructure provisioning may enhance trade and commerce and play an important role in alleviating poverty and inequality. Therefore, infrastructure investment is a key enabler to sustain growth over time. This section will assess provincial and municipal infrastructure allocations over the MTREF and its contribution to economic growth in the municipal area and region.

(1) Provincial and Municipal Capital Budget Expenditure 2020/21

Table 4: Comparison of Provincial and Drakenstein Municipal Infrastructure Expenditure: 2020/21 (R'000)

Type	2020/21		
	Provincial Infrastructure Spend	Municipal Infrastructure Spend	Total
Economic Infrastructure	**185 000**	**95 454**	**280 454**
Road Transport and Public Works	185 000	95 454	280 454
Cape Nature			
Social Infrastructure	**104 749**	**8 700**	**113 449**
Education	10 000		10 000
Health	16 479		16 479
Social Development	-	600	600
Housing	78 270	8 100	86 370
Trading Services	**-**	**89 684**	**89 684**
Electricity	-	39 950	39 950
Water	-	45 149	45 149
Waste Water Management	-	1 985	1 985
Waste Management	-	2 600	2 600
Other		**23 311**	**23 311**
Total Infrastructure Spend	**289 749**	**217 149**	**506 898**

Source: 2020 Western Cape EPRE (Provincial spend), National Treasury Database (Municipal spend)

3.5.1 Economic Infrastructure Analysis

Road Transport

A relation between the quantity and quality of transport infrastructure and the level of economic development is apparent. High-density transport infrastructure and highly connected networks are commonly associated with high levels of development. When transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multiplier effects such as better accessibility to markets, employment, and additional investments.

Drakenstein's top 3 projects (Province) list as follows:

1. C1102 PRMG Reseal Windmeul (R155.0 million)
2. C749.2 PRMG Paarl-Franschhoek (R15.0 million)
3. C1120 Pearl Valley (R10.0 million)

At the policy level a clear understanding of the linkages between the formal and the informal economy is critical for the development of good policy. To this end, these 'linkages' are strengthened by the R155.0 million Reseal of Windmeul. This allocation will contribute towards unlocking economic opportunities.

In relation to the Municipality's Road Transport key projects, the following has been prioritised (SA36):

1. Grant: Upgrading of Oosbosch Street between BRB and JVR (R72.0 million).
2. Own funds: Upgrading of Oosbosch Street between BRB AND JVR (19.9 million).

As per the Municipality's Capital Expenditure Distribution per Standard Classification for the 2020/21 Financial Year (Pg 257 of IDP), Road Transport receives 44.0 per cent of Capex for 2020/21. Clearly, the municipal directive and importance placed on Road Transport is Responsive to the Provincial spend planned for 2020/21 which is encouraging as it links well to the KPA 4: "PHYSICAL INFRASTRUCTURE AND SERVICES."

3.5.2 Social Infrastructure Analysis

Education

The learner retention rate for Drakenstein (72.6 per cent in 2018) has been marginally regressing since 2016 but is still higher than any of the surrounding municipalities across the CWD. More importantly youth unemployment remains a persistent problem with learner retention numbers regressing year on year while the population growth rate steadily increases. To this end the Dal Josaphat Primary School (R10.0 million) which is prioritised for 2020/21 is a welcome relief to absorb the growing demand for Education services in the region.

Health

A steadily growing population as well as a spill-over of inhabitants from the crowded metro (City of Cape Town) has placed strain on the healthcare system across the Drakenstein region. The demand for healthcare services is currently growing as the indigent register swells year-on-year and the informal sector remains prominent across the region added further strain to the public healthcare system across the region. The top 3 infrastructure projects for 2020/21 embarked upon by the Provincial government is sure to provide some relief to the Healthcare demand, namely:

1. Gouda - Gouda Clinic - Replacement (R7.4 million)
2. Paarl - Paarl CDC - New (R2.3 million)
3. Wellington - Windmeul Clinic - HT - Upgrade and Additions (R1.5 million)

The Municipality's IDP acknowledges the strain on its healthcare facilities available (Pg 40, Section 2.8). The issue of accommodating and planning for future demographic patterns and Human Settlements through the SDF, taking into account the Economic Development prerogative of the Municipality becomes crucial across the ensuing MTREF.

Social Development

The provision of basic services by the Municipality through the added capacity afforded to informal settlements (R0.600 million, A5)) in 2020/21 reaffirms the growing cost of the informal sector and the demand for social services that accompanies this surge in growth.

Human Settlements

The demand for housing is something that most municipalities grapple with the Housing function both a provincial and municipal mandate, albeit that municipalities use Human Settlements Development Grant. Housing delivery serves as driver of other investments i.e. new residential developments require roads, trading services, education and health.

The top 3 Provincial housing projects list as follows for 2020/21:

1. Drakenstein: Paarl: Vlakkeland - IRDP (R44.7 million)
2. Drakenstein: Schoongezicht - 347 sites – IRDP (R11.2 million)
3. Mbekweni roofing (R5.0 million)

In relation to the Municipality's Capex allocations towards housing in 2020/21, BASIC SERVICES: SCHOONGESIGHT EMERGENCY HOUSING PROJECT (GRANT), R6.9 million is allocated towards this area. This is Responsive in that the Municipality fulfils its Basic Service delivery mandate to serve dwellings across the Municipality.

3.5.3 Trading Services Infrastructure Analysis

In relation to bulk infrastructure allocations for 2020/21, the top 3 projects as per SA36 list as follows:

1. ELECTRIFICATION: HOUSING PROJECTS (INEP) (R27.0 million)
2. SARON: BULK STORAGE & WATER TREATMENT (IUDG)(R43.6 million)
3. REPLACEMENT: DALWES SUBSTATION (R6.3 million)

Water

The Municipality has displayed in its allocations in budget schedule A5 as well as throughout the IDP Review, the importance of directing funds towards water infrastructure (R45.1 million or 50.3 per cent of the trading services capital budget allocation for 2020/21) and drought resistant strategies. The prioritisation of water infrastructure has direct linkages to raising capacity in the agriculture, forestry and fishing sector is vital for employment prospects across the Municipality.

Energy

Electrification of Human Settlements also serves high on the agenda of the Trading Services Capex allocations for 2020/21, with R39.9 million (or 44.5 per cent of Trading Services for 2020/21) allocated in this regard. A similar trend is displayed across the ensuing MTREF. This allocation is Responsive to the current shortfall in households receiving a minimum service level standard (3 502 households as per Budget Schedule A10) as well as the growing demand from new Housing settlements currently being constructed as well as the rapidly expanding informal settlement conundrum.

Electricity revenue and municipal financial survival is closely linked in many South African municipalities, due to our particular history of municipalities operating as electricity distributors. Typically, 10 per cent of annual electricity revenue generated is fed into municipal coffers, subsidising a range of other important municipal services. In addition, revenue from 'high-end' users (larger residential and other consumers) is routinely used to cross subsidise 'losses' from providing power to poor households which are not fully covered by the national Equitable Share grant. Therefore the allocation of funds in this particular area of infrastructure has added importance given the positive externalities the provision of this public good has on the greater welfare and sustainability of the Municipality.

Waste Water Management

Waste Water Treatment is highlighted as a priority for the Municipality as per the amended IDP.

Upgrading of Waste Water Treatment Works to ensure sufficient capacity for future developments and eradicating maintenance backlogs especially at Paarl WWTW. The current Capex allocation for 2020/21 is R1.9 million or 2.1 per cent of the Capex allocation under Trading Services.This trend is consistent across the MTREF.

Given that the Municipality as per its IDP deems the current Waste Water Treatment as satisfactory (Pg 77 of IDP), the aforementioned Capex allocation appears to be plausible. However, the growing demand for Basic Services as per changing socio-economic dynamis will result in further resources being required in years to come.

Waste Management

In relation to the Waste Management analysis carried out earlier in this assessment, Drakenstein currently has adequate Waste Management planning and Waste Minimisation Policies which are Responsive to its surrounding environment. However, the Municipality currently faces challenges in the form of historical waste that has been allowed to accumulate over years. Therefore the sparse allocation of R2.6 million in 2020/21 is noted but the sizeable increase to R13.5 million in 2021/22 is welcomed.

In closing, population growth, as mentioned in the SEP-LG 2019, and the subsequent increase in new housing developments, increase the demand for basic services which necessitates the expansion of the bulk infrastructure network. Such expansions are however extremely capital intensive, meaning

that less money will be available to maintain the current infrastructure network and to reduce backlogs. Less money will in turn be available to progressively roll-out services to informal settlements.

Trading services (along with Road transport – R95.4 million) is allocated a large share of the municipal infrastructure allocations (as per budget schedule A5) with R89.6 million (41.2 per cent) of total capital expenditure for 2020/21. This is consistent with the Municipality's strategic objective relating to maintaining and expanding basic infrastructure as a catalyst for economic development.

3.6 OTHER KEY CONSIDERATIONS

- COVID-19 will have severe Economic implications for Drakenstein with the impact set to be felt on municipal operations across the ensuing MTREF. Below are a few key considerations for the Municipality to take forward when planning and budgeting:

  - Foreign trade will suffer noticeably from the global spread of the coronavirus and will only recover in the second half of the year. Exports will decline due to dampened consumer demand across key trading partners and this will especially affect seasonal workers within the Agriculture, forestry and fishing sector. This relates to higher unemployment rates and a general reduction in the ability of citizens of Drakenstein to pay for Basic Services. Municipal Revenues will therefore be constrained across the ensuing MTREF period.

  - Consumer price inflation is likely to be subdued in 2020, but will be boosted in 2021 by catch-up effects. Input costs (imported goods) are not expected to remain steady and will be upward as a result of a weaker Rand amongst other factors. Overall production will therefore be constrained and this will have a two-way impact on local consumers and employment as firms employ cost cutting strategies. Municipal rebates in whichever form may be an alternative to boost local business confidence within Drakenstein.

  - Wage growth is expected to decelerate substantially as a result of the general recessionary environment. Naturally, this will result in households experiencing lower disposable incomes and hence lower consumption of municipal services/lower ability to pay for services.

  - While the economic slump will lead to a decline in total hours worked, its effect on the number of employed people will be muted considerably by short-time work and cost-cutting measures within firms. Upward pressure on unemployment likely to be the knock-on effect across the MTREF.

  - The Covid-19 global pandemic will dampen economic activity (locally, national and global), especially in the first half of the year, and that there will be noticeable catch-up effects thereafter. In this scenario, the economic picture will resemble a pronounced V-shape in the course of this year. Recovery will be varied across industries with varying effects not necessarily simultaneously but at various points in the business cycle of the specific industry/sector. Again, this has knock-on effects for employment numbers.

  - It is already foreseeable that foreign trade will be significantly affected in the coming months. Trade with other regions particularly affected by the virus is likely to decline significantly. In this regard, delivery problems for intermediate goods could lead to noticeable production shortfalls.

- In addition, the spread of the virus is also likely to have a significant impact on the domestic economy. In particular, private households will probably cut back on leisure spending in order to avoid infection. In light of the uncertain development of the pandemic, I expect firms to postpone investment projects. At the same time, the impact on employment is likely to be noticeable, especially for seasonal workers. Municipal infrastructure investments are key in this regard whilst still ensuring maintenance of existing infrastructure. The link between LED and the SDF strategies becomes crucial in this regard.

- All in all, it is expected the recessionary environment is set to continue, how have local firms factored this into their panning post lockdown?

- The backlogs in infrastructure continues to exert further pressure on municipal resources. The growing demand for basic services within growing informal settlements is challenging to sustain. The Municipality is faced with an insufficient capital budget to address and eradicated backlogs timeously.

- It is noted that the Municipality has indicated that its repairs and maintenance spend as a percentage of PPE is 5.1 per cent (8% the prescribed benchmark) for the 2020/21 financial year. The Municipality should ensure that is allocation is balanced with affordability and other competing budget priorities.

3.7 RESPONSIVENESS: MAIN POINTS AND RISKS/FINDINGS

- The relatively small Opex (R46.5 million) allocations towards the facilitation of sustainable economic empowerment for all communities within Drakenstein in 2019/20 is a cause for concern considering that the IDP Review list this objective as being a game changing priority. This is a repeated finding.

- Rising learner enrolment (1.7 per cent, SEP-LG 2019), Educational facilities (67, SEP-LG 2019) and Learner retention (72.6, SEP-LG 2019) as well as Healthcare facilities (17 primary healthcare facilities) and a growing malnutrition rate (3.0) is further proof of the growing demand for social services across the municipal region.

SECTION 4: FINANCIAL SUSTAINABILITY

4.1 REVIEW OF THE HISTORICAL INFORMATION

4.1.1 The Financial Health and Performance – year ended 30 June 2019

The assessment of the financial health and performance is an integrated process involving a review of a municipality's audited annual financial statements, audit report and ratio analysis. The results of the ratio analysis are used to support financial decisions and to identify factors which may influence the financial stability of the Municipality.

Adverse ratios highlight areas where attention may be required to ensure sustainability. The assessment analysis is based on the 2017, 2018 and 2019 audited financial statements to have a more solid context when looking at the 2020/21 budget.

The ratios analysis is conducted as per National Treasury MFMA Circular No. 71.

Note: The Municipality submitted the ratios as was requested by National Treasury, however by the time this report was compiled, the Municipality did not respond to some of the ratio corrections that PT requested the municipalities to do. Therefore, PT corrected the ratios and used them for this report.

Provincial Treasury has analysed these ratios and the following items are highlighted.

The Financial Performance as per the Audited Annual Financial Statements

Table 5: Financial ratios and norms

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
Asset Management					
1.	Capital Expenditure to Total Expenditure: **10% - 20%**	24.2%	26.1%	22.9%	The ratio results have fluctuated over the three-year period, and have remained above the norm during that time. This reflects high spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability and cash flow risks if the infrastructure does not include both economic (revenue generating) and social type infrastructure.
2.	Capital Expenditure Budget Implementation Indicator: **95 - 100%**	99.6%	101.9%	109.4%	The ratio results have deteriorated over the three-year period. The ratios results were above the norm during the 2018 and 2019 financial years. The overspending could indicate inaccurate budgeting or poor financial management control when cashflow is under pressure.
3.	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): **0%**	0.0%	0.1%	0.0%	The ratio results have remained fairly stable over the three-year period, and within the norm during this time. This indicates that the utilisation of assets delivered the value or service levels envisaged when approval was originally obtained for procuring the assets.

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
4.	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): **8%**	3.75	4.9%	4.3%	The ratio results fluctuated during the three-year period, and have remained below the norm during that time. Insufficient expenditure on repairs and maintenance could impact on the useful life of assets, and have a resulting increase in impairment of useful assets.
5.	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure :**(None)**	86.3%	77.2%	71.3%	The ratio results fluctuated over the three-year period. The ratio result improved in the 2018 and 2019 financial years. There is no norm from National Treasury for this ratio as the funding mix for Capital Expenditure is dependent on the municipal policy and ability to raise revenue from different sources.
6.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure: **(None)**	33.2%	30.1%	50.7%	The ratio results fluctuated over the three-year period, with improvement in the 2019 financial year. There is no norm from National Treasury for this ratio as the funding mix for Capital Expenditure is dependent on the municipal policy and ability to raise revenue from different sources.
Revenue, Debtors and Liquidity Management (cash availability)					
7.	Net debtors days: **≤ 30 days**	92 days	89 days	94 days	The ratio results fluctuated over the three-year period, and have remained above the norm for most of that time. This indicates that the Municipality is exposed to significant cash flow risk due to the Municipality experiencing challenges in the collection of outstanding amounts.
8.	Bad Debts Written-off as % of Provision for Bad Debt: **100%**	105.0%	27.1%	133.4%	The ratio results fluctuated over the three-year period, and remained above the norm for 2019. This indicates that the Municipality had not previously identified the Debtor/s as having the potential for defaults, which could indicate weakness in calculation of the Provision for Bad Debt, the methodology used and/or poor credit control processes.
9.	Operating Revenue Budget Implementation Indicator: **95% - 100%**	93.4%	100.4%	97.1%	The ratio results have fluctuated over the three-year period, and have been within the norm during the 2018 and 2019 financial years. The ratio measures the extent of Actual Operating Revenue (exl Capital Transfers) received in relation to Budgeted Operating Revenue. The actual operating revenue is very close to the budget and the Municipality is commended for compiling an accurate revenue budget.
10.	Service Charges and Property Rates Revenue Budget: **95% - 100%**	89.5%	94.5%	95.7%	The ratio result has improved over the three-year period, and were below the norm during the 2017 and 2018 financial years. The ratio result for the 2019 financial year is within the norm. The Municipality is commended for compiling an accurate revenue budget.

Financial ratios and norms		2017 Audited	2018 Audited	2019 Audited	Comments
11.	Revenue Growth (%) - Excluding capital grants: **= CPI**	8.5% **5.3%**	15.0% **4.7%**	15.9% **4.5%**	The ratio results have increased over the three-year period, and have been above inflation during that time. The Revenue Growth has to be assessed in conjunction with the growth in the Revenue base, number of consumer accounts and sustainability to determine the real Growth in Revenue.
12.	Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants): **1 - 3 months**	2 Months	1.1 Months	0.2 Months	The ratio results have deteriorated over the three-year period. The ratio result for the 2019 financial year is below the norm. This indicates the Municipality is vulnerable and at a higher risk in the event of financial "shocks/set-backs" and its ability to meet its obligations to provide basic services or its financial commitment could be compromised. The results from this ratio should be viewed along with results from analysis of other negative Liquidity management ratios.
13.	Current Ratio: **1.5 - 2:1**	1.2:1	1.0:1	0.6:1	The ratio results have deteriorated over the three-year period, and have remained below the norm during that time. A financial ratio under 1 suggests that the Municipality would be unable to pay all its current or short-term obligations if they fall due at any specific point. If current liabilities exceed current assets, it highlights serious financial challenges and likely liquidity problems.
Liability Management					
14.	Debt (Total Borrowings)/Revenue: **45%**	73.4%	86.9%	91.1%	The ratio results reveal an upward trajectory over the three-year period and have remained in excess of the norm during that time. This indicates that the Municipality does not have capacity to take up increased funding from borrowings. This is substantiated by poor liquidity ratio.
15.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure: **6% - 8%**	12.2%	14.4%	15.1%	The ratio results reveal an upward trajectory over the three-year period. The ratio results for the 2018 and 2019 financial years were within the norm. Exceeding the Norm could pose a risk to the Municipality should changes or fluctuations in financing costs arise.
16.	Creditors Payment Period (Trade Creditors):**30 days**	45 days	45 days	58 days	Section 65(2)(e) of the MFMA requires that creditors be paid within 30 days. The ratio results have deteriorated over the three-year period, and have remained in excess of the norm during that time. A period of longer than 30 days to settle creditors is normally an indication that the Municipality may be experiencing cash flow problems, however in certain instances this may be as a result of disputes, processing of payments, retentions etc. In addition, a ratio that exceeds the norm indicates that the Municipality may not be adequately managing its Working Capital or that effective controls are not in place to ensure prompt payments. Non-compliance with MFMA regulation guiding on the payment of creditors should be considered.

Financial ratios and norms		**2017 Audited**	**2018 Audited**	**2019 Audited**	**Comments**
Expenditure Management					
17.	Operating Expenditure Budget Implementation Indicator: **95% - 100%**	82.7%	87.2%	87.8%	Although the ratio results have improved over the three-year period, the ratio results remained below the norm during that time. Under-spending indicates that the Municipality experiences possible cash flow difficulties or capacity challenges to undertake Budgeted/planned service delivery, and/or does not prepare accurate and credible Budgets. Ideally, underspending should be the result of increased efficiency and not non-implementation of spending programmes.
18.	Remuneration as a % of Total Operating Expenditure: **25% - 40%**	28.7%	31.4%	33.7%	The ratios results reveal and upward trajectory over the three-year period, and have remained within the norm during that time.
19.	Contracted Services as a % of Total Operating Expenditure: **2% - 5%**	10.3%	8.3%	7.0%	Although the ratio results have improved over the three-year period, the ratio results have remained in excess of the norm during that time. A ratio in excess of the Norm may indicate that functions are being outsourced to Consultants, which is strongly advised against in the cost containment regulations. It could also indicate a lack of capacity in the <municipality.
20.	Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure: **0%**	0.0%	2.1%	4.0%	The ratio results reveal and upward trajectory over the three-year period. The ratio results for the 2018 and 2019 financial years were above the norm. Result above the norm should be investigated, the control revisited and strengthened, and disciplinary action should be taken following an investigation where required.
Grant Dependency					
21.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue): **None**	91.8%	91.9%	91.4%	The ratio results have remained fairly stable over the three-year period. National treasury does not prescribe a norm for this ratio. However, the Municipality's efforts toward self-sufficiency is noted.
Net Asset Position (Going Concern)					
22.	Total Liabilities to Total Assets: **<50%**	33.0%	36.1%	38.6%	Although the ratio results have deteriorated slightly over the three-year period, the ratio results have remained within the norm during that time. This implies that the Municipality is a going concern.

4.1.1 Asset Management

- The ratios results reveal an upward trajectory for capital expenditure, which appears to have been funded mainly from grant funding and/or borrowings. The Municipality needs to relook at its capital intensive investments going forward considering the fragile liquidity position.
- The Municipality should ensure that the repairs and maintenance expenditure is in line with its asset management policy & maintenance schedules.

4.1.2 Revenue, debtors and liquidity management (cash availability)

- The Municipality appears to be generating revenue at a rate higher than inflation. When excluding all grants, the balance of revenue is made up mainly of services charges and property rates calculated on what was billed rather than was actually paid. The continued above inflationary increases may have a negative impact in the medium-term to long-term if the economy go in a protracted recession.

- The gross amount for consumer debtors amounted to R319 millions of which R131.6 million were in excess of 90 days during the 2019 financial year. The gross amount for rates debtors amounted to R38 millions of which R14.7 million were in excess of 90 days during the 2019 financial year. Amounts that have been impaired should be considered for write-off if legal action proves to be ineffective.

- The Municipality should review credit control measures to avoid debt to go beyond 90 days as failure to collect what is due to the Municipality might erode the revenue base; consequently, affecting the cash flows of the Municipality.

- This depicts a concerning picture; with cash flow constrained and municipal funds committed to current assets. Furthermore, the cash flow issue is compounded by the process of recovering monies owing currently not as effective as intended to be. This results in the Municipality not being cash flush, and facing the possible of risk of being able to settle commitments as they mature, consequently affecting service delivery.

- Management must investigate the effectiveness of the Credit Control processes, investigate the ability to collect on outstanding debtors, and then implement measures to curb the increase in receivables and related risk of not having sufficient liquid cash reserves.

- The Municipality appears to be facing financial challenges as evidenced by the results of the current ratio as well as the cash/cost coverage ratio.

4.1.3 Liability Management

- The Municipality has managed to keep finance charges within acceptable limits, even though the Municipality appears to be over indebted. It must also be noted that the Municipality entered a debt restructuring that will reduce finance costs in the short term but consequences of the impact of the 'total cost of finance' in the long term may yet have to be realised.

- Creditors are not paid within the legislative date. The Municipality may not be adequately managing its Working Capital or that effective controls are not in place to ensure prompt payments. Non-compliance with MFMA regulation guiding on the payment of creditors should be considered.

- It is crucial that the Municipality remain cognisant of its funding mix policy and study the full cost and risk of electing one funding source over the other.

4.1.4 Expenditure Management

- Although the ratio results for contracted services has remained above the norm over the three-year period, it is prudent to note contracted services consists mainly of business and advisory services.

- Irregular, Unauthorised, Fruitless and Wasteful expenditure has been increasing year on year, and in the last two years, above the National Treasury Norm. An increase, year on year, may

also indicate that the Municipality need review controls in place, as there is an indication that they may not be working effectively any longer.

- Budgeted expenditure in all three years it has been below the National Treasury norm. Any variance below 100% indicates either capacity challenges, issues of financial controls and management and/or poor budgeting.

4.1.5 Grant dependency

Although no NT norm is provided, the Municipality should consider the prospects of any additional grant funding available with the objective of consolidating and improving its liquidity position.

Summary and recommendations

- The Municipality, though a going concern, must remain vigilant in preserving and improving its cash position.

- The Municipality is advised to regularly review its capital funding mix by determining all sources of funding permitted, and documenting the amount of risk it is willing to expose itself to in terms of borrowings and other financial liabilities.

- The Municipality appears to have decreased reliance on contracted services. The Municipality is encouraged to continue its efforts in this regard.

- The Municipality has cash tied up in receivables, and should implement measures to collect on its outstanding debt. What is critical is that the Credit Control Policies and processes be reviewed, possibly re-engineered to become more effective and efficient at collection of receivables.

4.2 CREDIBILITY OF FUNDED BUDGET

The Western Cape Provincial Treasury has in its budget analysis made use of a budget tool to determine the credibility of the 2020/21 MTREF budget and whether the budget is funded. The tool uses the data strings submitted by the Municipality in order to perform the assessment. The tool is in line with the principles outlined in the MFMA Circular No. 42, 98, 99 and previous budget circulars in the determination of whether the Municipality's budget is funded or unfunded.

The Municipality's budget is reflected unfunded over the 2020/21 budget year with minimal threats towards sustainability over the MTREF as the Municipality seeks to achieve a surplus position for the remaining two years of the MTREF. In addition, the Municipality recently embarked on a restructuring of its borrowing after considering the prospects that it will not afford to service its contractual obligations with the bank for its interest and redemption and opted to restructure for a longer borrowing term.

In contextualising the above, the Municipality budgeted for R218.10 million as the opening balance of its cash and cash equivalents for budget year 2020/21. Also the Municipality has budgeted to have a closing cash and cash equivalents of R290.million at year end. Given the Municipality's prevailing financial situation, it is highly unlikely that the Municipality will have such a closing cash at the end of the current financial year. Furthermore, during the 2019/20 IYM the Municipality recorded a balance of R55.90 million as February 2020. The Municipality has financial obligations such as short term payables which are normally due in the subsequent month, which are in excess of their available cash.

The analysis of Table A8 indicates that the Municipality has tabled a shortfall of R39.25 million in 2020/21 and a surplus of R56.14 million and R6.9 million in 2021/22 and 2022/23 respectively, which is a positive sign towards maintaining a sound financial position and sustainability and it is evident that the Municipality has measures in place as a turnaround strategy.

Observations on the Current Financial Year

Table 6: Budget overview

Description	2017/18			2018/19			Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousands	Adjusted Budget	Audited Outcome	Variace %	Adjusted Budget	Audited Outcome	Variace %	Original Budget	Adjusted Budget	29 February 2020	YTD %	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Financial Performance													
Property rates	246,447	245,517	-0.4%	275,982	271,147	-1.75%	305,350	308,406	231,168	75.0%	331,537	356,402	383,132
Service charges	1,376,008	1,314,086	-4.5%	1,399,081	1,357,190	-3.0%	1,604,964	1,573,517	1,047,071	66.5%	1,676,425	1,807,494	1,948,834
Investment revenue	21,340	21,665	1.5%	12,000	14,224	18.5%	12,000	5,762	3,534	61.3%	6,000	6,200	6,400
Transfers recognised - operational	210,757	152,320	-27.7%	258,836	182,492	-29.5%	250,728	281,754	155,577	55.2%	264,416	282,550	297,889
Other own revenue	123,973	153,511	23.8%	186,920	156,261	-16.4%	158,735	143,877	52,351	36.4%	141,034	144,164	147,480
Total Revenue (excluding capital transfers and contributions)	**1,978,524**	**1,887,098**	**-4.6%**	**2,132,818**	**1,981,313**	**-7.1%**	**2,331,777**	**2,313,316**	**1,489,700**	**64.4%**	**2,321,741**	**2,509,828**	**2,700,959**
Employee costs	531,751	567,468	6.7%	637,181	669,025	5.0%	678,529	679,467	434,313	63.9%	736,581	794,508	861,786
Remuneration of councillors	29,462	28,062	-4.8%	30,147	29,945	-0.7%	31,709	31,709	20,039	63.2%	33,263	34,860	36,533
Depreciation & asset impairment	190,506	186,527	-2.1%	220,426	210,624	-4.4%	215,870	215,870	106,935	49.5%	240,352	244,691	248,074
Finance charges	125,733	132,450	5.3%	166,260	158,386	-4.7%	162,759	108,323	108,021	99.7%	182,312	180,728	176,828
Materials and bulk purchases	714,175	673,062	-5.8%	721,919	735,449	1.9%	830,676	835,964	490,859	58.7%	880,927	938,603	1,000,260
Transfers and grants	11,498	10,532	-8.4%	24,272	22,534	-7.2%	18,650	18,795	13,555	72.1%	15,620	32,620	32,620
Other expenditure	515,537	437,918	-15.1%	500,167	376,206	-24.8%	461,433	509,748	208,551	40.9%	415,875	417,323	418,597
Total Expenditure	**2,118,661**	**2,036,019**	**-3.9%**	**2,300,373**	**2,202,170**	**-4.3%**	**2,399,626**	**2,399,877**	**1,382,273**	**57.6%**	**2,431,004**	**2,611,795**	**2,762,146**
Surplus/(Deficit)	**(140,137)**	**(148,920)**	**6.3%**	**(167,555)**	**(220,856)**	**31.8%**	**(67,849)**	**(86,561)**	**107,428**	**-124.1%**	**(109,264)**	**(101,967)**	**(61,187)**
Non-Cash Items													
Depreciation & asset impairment	190,506	186,527	-2.1%	220,426	210,624	-4.4%	215,870	215,870	106,935	49.5%	240,352	244,691	248,074
Restated Result	**50,370**	**37,607**	**-25.3%**	**52,871**	**(10,232)**	**-119.4%**	**148,020**	**129,309**	**214,363**	**165.8%**	**131,089**	**142,724**	**186,887**
Capital expenditure & funds sources													
Capital expenditure	**838,669**	**652,978**	**-22.1%**	**615,304**	**572,534**	**-7.0%**	**378,030**	**293,414**	**123,661**	**42.1%**	**217,149**	**113,479**	**112,702**
Transfers recognised - capital	**160,320**	121,970	-23.9%	157,489	136,348	-13.4%	148,808	137,680	55,204	40.1%	167,149	63,479	62,702
Borrowing	**-**	475,935		–	357,115		220,340	94,003	47,859	50.9%	–	–	–
Internally generated funds	**597,245**	55,073	-90.8%	390,673	79,070	-79.8%	8,882	61,730	20,598	33.4%	50,000	50,000	50,000
Total sources of capital funds	**81,104**	**652,978**	**705.1%**	**67,142**	**572,534**	**752.7%**	**378,030**	**293,414**	**123,661**	**42.1%**	**217,149**	**113,479**	**112,702**

Source: LG Database and 2020/21 MTREF Budget

- The Municipality has been able to implement its budget effectively as there were no institutional issues affecting it from carrying out its mandate. The administration of the Municipality is considered to be stable with all the critical top management posts being filled, in line with the prescripts that state that a Municipality should organise its administration in such a way that it is responsive to the needs of the local communities thus ensuring that posts are filled by competent staff.

- During the current financial year Drakenstein Municipality had to adjust its capital expenditure downwards exponentially. The downward adjustment was as a result of the Municipality having to restructure its long term borrowings, and stopped capital projects that has not resumed. Other material adjustments were related to finance charges, as a result of the payment holiday granted by banks, as well as anticipated investment revenue. The municipal adjustment budget was in line with section 28(2)(a) of the MFMA.

- The year-to-date performance of the Municipality as depicted in Table 1 above, indicates that the total revenue realised amounts to R1.49 billion or 64.4 per cent of the adjusted budget as at the end of February 2020. Total year-to-date expenditure is fairly low at an amount of R1.38 billion or 57.6 per cent of the adjusted budget which is mainly as a result of the Municipality failing to record non-cash items (i.e. depreciation) on a monthly basis, as well as the poor performance on Other expenditure which is reporting a year to date performance of 40.9 per cent as at the end of February 2020.
- The capital performance of the Municipality as at the end of February 2020 is reported as 42.1 per cent compared to the adjusted amount of R293.41 million. The contributing factors to the low spending emanates from the Top ten (10) capital project amounting to R128.05 million of the total adjusted capital budget of R293.41 million, only R65.66 million or 51.3 per cent of this budget has been spent to date. From the Top ten (10) capital projects, "Reseal of Streets/Road Network (Paarl)" has no expenditure incurred to date and has a budget of R11.16 million. This is concerning as there are only four (4) months left in the current financial year. The Municipality is therefore cautioned to expedite its capital spending so as to ensure that the budget is fully utilised.

4.3 REVIEW OF THE NEW (2020/21) MTREF

4.3.1 Review of the Budget Assumptions

The assessment is based on the budget assumptions as per page 12-16 of the budget document of the Municipality. The budget assumptions are reviewed for completeness, credibility and reasonableness as it forms the basis upon which the new MTREF is prepared.

Table 7: Budget assumptions

No.	Description of the Budget Assumptions
1.	National Treasury Circulars No. 98 & 99 have been utilised as guidance in preparation of the tabled budget.
2.	The forecasted CPIX is estimated at 4.5% for 2020/21 and 4.6% for both the 2021/22 and 2022/23 financial years as per MFMA Circular 98.
3.	The 2020/21 budget was prepared on a projected revenue collection rate of 97 per cent of annual billing.
4.	The following principles and tariff increases, based on the cost reflectiveness of the tariffs are proposed: • Property Rates = 7.5%. • Electricity = basic levy increases by 6.4% and consumption by 4.9% (with a free 50 kWh per month to indigent households only, to be taken from the Equitable share). • Water = Basic levy increase by 6.9% and consumption by 6.9% (with 6 kilolitres free of charge to indigent households). • Wastewater = 8.3%. • Refuse = 7.8%
5.	Employment related costs for the 2020/21 MTREF period was budgeted based on an annual increase of 5.8% (exclusive of annual notch increases), and 6.2% for the remainder of the MTREF period in line with the Bargaining Council. The notch increment is budgeted at 2.4% over the MTREF.
6.	Bulk electricity purchases are projected to increase by 6.9% and Bulk water purchases are projected to increase by 5% in the 2020/21 budget year.

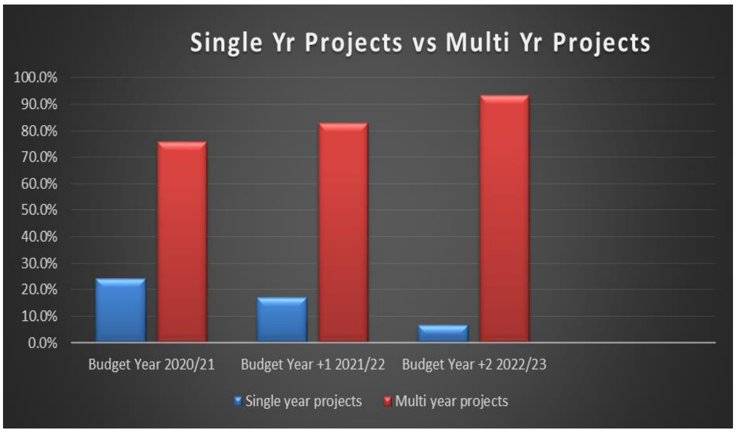
No.	Description of the Budget Assumptions
7.	The seven strategic objectives the budget are linked to are as follow: • Governance and Stakeholder participation; • Financial Sustainability; • Institutional Transformation; • Ensure efficient infrastructure and energy supply • Facilitate sustainable economic empowerment for all communities • Contribute to the health and safety of communities • Assist and facilitate with the development and empowerment of the poor and the most vulnerable
8.	National government grants for the years 2020/21 to 2022/23 are as per the Division of Revenue Bill (DoRB).

In view of slow economic growth, increase service demands, a weakened economic outlook that will exert pressure on disposable income of consumers, climate change as well as fiscal constraints to persist over the medium term the Municipality is urged to continue to apply fiscal discipline and practice prudent financial management in order to ensure long term financial sustainability and maximum citizen impact.

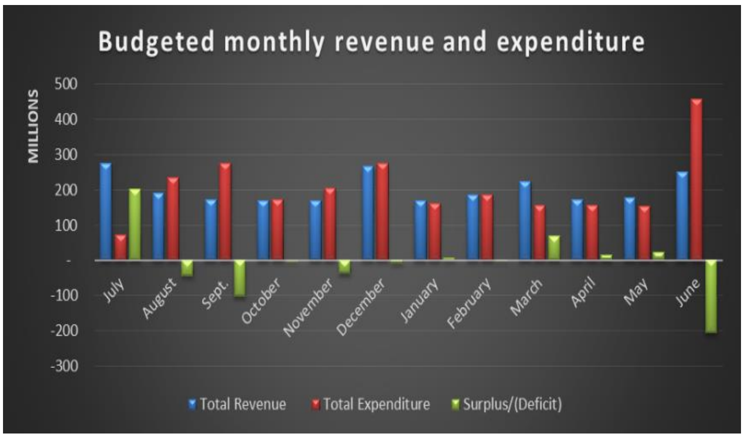
4.3.2 Forecasting and Multi-Year Budgeting

On assessment of supporting Tables SA25 to SA30 it is evident that Drakenstein Municipality has taken into account seasonal fluctuations as evidenced by the below graphs.

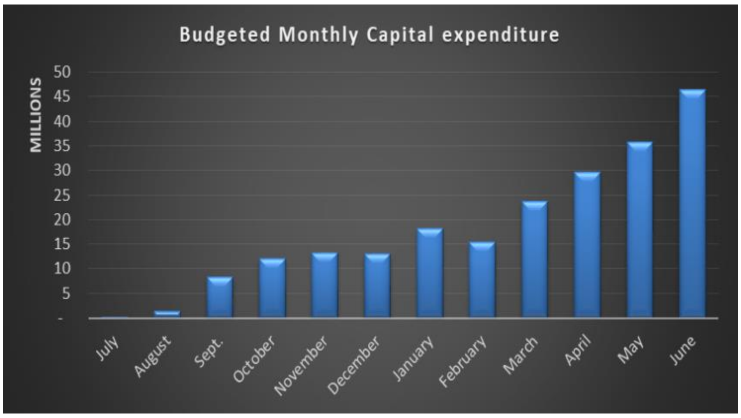
Figure 1: Forecasting and Multi-year



The Municipality has incorporated Section 16(3) of the MFMA into the budgeting process, which allows a municipality to appropriate large capital budgets for three financial years, thus enabling it to improve planning and initiate procurement processes earlier for capital projects in the two outer years of the MTREF. This can be ascertained by the fact that on average, multi-year projects account for an average of 84.0 per cent of the total capital budget over the MTREF.



On assessment of supporting Tables SA25 to SA27 it is evident that Drakenstein Municipality has considered seasonal fluctuations and that linear projection has not been used. On the operating revenue side transfers and subsidies as well as fines and penalties are significantly higher in the month of June, this poses a risk of roll-over applications as well as increased debt impairment in future budgetary periods. The Municipality should put measures in place and methods to mitigate the risk.



On assessment of supporting Tables SA28 and SA29 it is evident that the Municipality has not used linear projections for its Capital budgeting. The capital expenditure is expected to increase considerably towards the last quarter of the budget year, in line with the past trends of the Municipality's capital performance.

Source: LG Database and 2020/21 MTREF Budget

4.3.3 Adequacy of Operating Revenue Management

Table 8: Operating Revenue Budget

Description	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget				Revenue source as a percantage of total revenue			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20 - 2020/21 (YOY)	2020/21- 2021/22 (YOY)	2021/22 - 2022/23 (YOY)	2019/20 - 2022/23 (AVE)	2020/21	2021/22	20222/23	2019/20 - 2022/23 (AVE)
Revenue By Source														
Property Rates	271,147	305,350	308,406	331,537	356,402	383,132	7.5%	7.5%	7.5%	7.5%	13.7%	13.7%	13.8%	13.7%
Service charges - electricity revenue	992,910	1,175,231	1,177,009	1,249,790	1,348,428	1,454,856	6.2%	7.9%	7.9%	7.3%	51.7%	51.9%	52.3%	51.9%
Service charges - water revenue	167,820	188,637	153,927	164,548	175,901	188,038	6.9%	6.9%	6.9%	6.9%	6.8%	6.8%	6.8%	6.8%
Service charges - sanitation revenue	95,321	116,092	117,175	126,900	137,433	148,840	8.3%	8.3%	8.3%	8.3%	5.2%	5.3%	5.3%	5.3%
Service charges - refuse revenue	101,139	125,004	125,406	135,188	145,732	157,100	7.8%	7.8%	7.8%	7.8%	5.6%	5.6%	5.6%	5.6%
Rental of facilities and equipment	9,509	15,852	14,472	15,557	16,724	17,978	7.5%	7.5%	7.5%	7.5%	0.6%	0.6%	0.6%	0.6%
Interest earned - external investments	14,224	12,000	5,762	6,000	6,200	6,400	4.1%	3.3%	3.2%	3.6%	0.2%	0.2%	0.2%	0.2%
Interest earned - outstanding debtors	10,914	12,543	9,847	10,339	10,856	11,398	5.0%	5.0%	5.0%	5.0%	0.4%	0.4%	0.4%	0.4%
Fines	75,253	89,068	79,286	79,896	79,896	79,896	0.8%	0.0%	0.0%	0.3%	3.3%	3.1%	2.9%	3.1%
Licences and permits	3,463	4,289	3,192	3,351	3,519	3,695	5.0%	5.0%	5.0%	5.0%	0.1%	0.1%	0.1%	0.1%
Transfers recognised - operational	182,492	250,728	281,754	264,416	282,550	297,889	-6.2%	6.9%	5.4%	2.0%	10.9%	10.9%	10.7%	10.8%
Other revenue	41,510	28,483	28,580	29,891	31,170	32,513	4.6%	4.3%	4.3%	4.4%	1.2%	1.2%	1.2%	1.2%
Gains on disposal of PPE	15,612	8,500	8,500	2,000	2,000	2,000					0.1%	0.1%	0.1%	0.1%
Total Revenue (excluding capital transfers and contributions)	**1,981,313**	**2,331,777**	**2,313,316**	**2,419,412**	**2,596,810**	**2,783,735**	**4.6%**	**7.3%**	**7.2%**	**6.4%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: LG Database and 2020/21 MTREF Budget

Drakenstein Municipality anticipates to realise an average increase in total operating revenue of 6.4 per cent in aggregate for the 2020/21 to 2022/23 MTREF period which indicates minimal real growth when discounted for inflation. Although service charges indicate real growth from the previous financial year it should be noted that pressure will be exerted on surplus margins due to bulk price pressures and a decline in consumption by consumers. The negative impact of the Coronavirus (Covid-19) will further exacerbate pressure on the Municipality's ability to collect its revenue from its consumers as the virus is likely to be extremely disruptive and cause damage to the economy and the fact the Municipality will not be charging interest on outstanding debtors and relaxing the credit control and debt collection on blocking of electricity.

Property rates are the second highest component of the operating revenue budget and amount to an aggregate of 13.7 per cent of the total operating revenue budget over the 2020/21 MTREF. Property rates revenue has increased by 7.5 per cent over the 2020/21 budget year which is in line

with the tariff increase of 7.5 per cent indicating an increase in the rates revenue base in real terms after discounting for inflation. The total market value of properties (Table SA12(a) and 12(b)) show an increase of 4.5 per cent year-on-year. The Municipality has budgeted for a cash collection rate of 96.5 per cent on its property rates.

In performing the segment tool analysis it was identified that the Municipality erroneously debited Property Rates: Other Categories, and are therefore encouraged to correct this in the final budget.

Table 9 Trading Services

Description	2016/17	2017/18	2018/19	2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue (A4):	**1,232,941**	**1,314,086**	**1,357,190**	**1,573,517**	**1,676,425**	**1,807,494**	**1,948,834**
Service charges - electricity revenue	957,981	950,979	992,910	1,177,009	1,249,790	1,348,428	1,454,856
Service charges - w ater revenue	128,849	193,864	167,820	153,927	164,548	175,901	188,038
Service charges - sanitation revenue	70,696	84,208	95,321	117,175	126,900	137,433	148,840
Service charges - refuse revenue	75,415	85,034	101,139	125,406	135,188	145,732	157,100
Expenditure (A2):	**1,179,380**	**1,107,288**	**1,176,468**	**1,277,182**	**1,383,844**	**1,459,670**	**1,538,519**
Energy sources	848,995	813,917	869,752	976,373	1,065,655	1,129,718	1,196,859
Water management	117,237	97,259	103,653	105,882	105,838	109,803	113,817
Waste w ater management	115,594	100,857	118,026	106,472	126,613	130,676	134,429
Waste management	97,553	95,255	85,037	88,455	85,739	89,473	93,413
Cost of Free Basic Services (SA 1)	**75,355**	**82,519**	**100,522**	**101,032**	**108,327**	**116,790**	**125,915**
Energy sources	12,338	18,912	26,139	40,335	42,928	46,324	49,988
Water management	18,217	10,672	16,338	13,054	13,955	14,918	15,947
Waste w ater management	13,880	17,039	20,926	16,954	18,362	19,886	21,536
Waste management	30,920	35,897	37,120	30,689	33,082	35,663	38,445
Surplus/Deficit	**128,916**	**289,317**	**281,244**	**397,366**	**400,908**	**464,614**	**536,231**
Energy sources	121,324	155,974	149,297	240,971	227,063	265,034	307,985
Water management	29,828	107,277	80,505	61,098	72,664	81,016	90,168
Waste w ater management	(31,017)	390	(1,780)	27,657	18,649	26,642	35,947
Waste management	8,782	25,676	53,221	67,640	82,532	91,922	102,131
Surplus/Deficit %	**0.9%**	**25.6%**	**28.4%**	**34.4%**	**34.5%**	**37.0%**	**39.6%**
Energy sources	12.7%	16.4%	15.0%	20.5%	18.2%	19.7%	21.2%
Water management	23.1%	55.3%	48.0%	39.7%	44.2%	46.1%	48.0%
Waste w ater management	-43.9%	0.5%	-1.9%	23.6%	14.7%	19.4%	24.2%
Waste management	11.6%	30.2%	52.6%	53.9%	61.0%	63.1%	65.0%

Source: LG Database and 2020/21 MTREF Budget

The table above indicates that all four of the trading services will generate a surplus suggesting that the tariffs are cost reflective after discounted for conditional grants.

Electricity revenue will be increasing by 7.3 per cent on aggregate over the 2020/21 MTREF. The distribution losses amount to 5.5 per cent in the most recent audit outcome which is below the national norm of between 7 and 10 per cent. The value in rand terms at R37.19 million is however material hence it would be recommended that the Municipality put measures in place as part of the overall repairs and maintenance strategy to prevent any increases in further losses.

The national government recently announced that municipality's that are in good standing with their Eskom accounts will be allowed to source their power from Independent Power Producers (IPPs). The Municipality's draft budget is silent on the implications this could have in its budget going forward.

In view of declining consumption patterns due to price pressures caused by well above inflationary bulk purchase increases which cannot be fully transferred to the consumer, load shedding further compounded by a weak GDP and the expansion of the green energy utilisation and rapid emerging of renewable energy technology, electricity surplus margins will be affected adversely. Therefore,

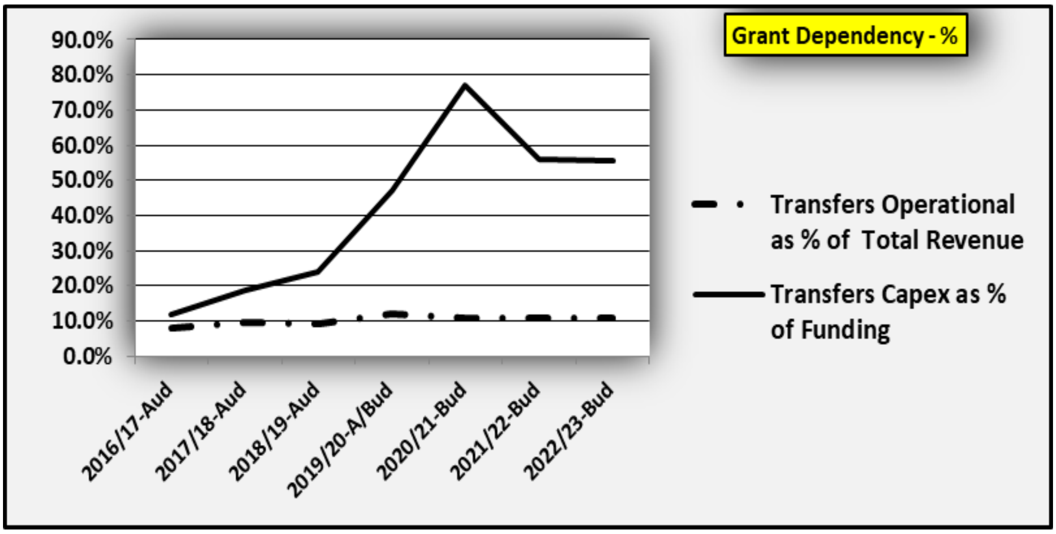
the sustainability of the service over the medium to long term should be monitored and incorporated as an integral element of the long term funding model as energy security has been identified as a catalytically intervention for sustainable development.

Water amounts to 6.8 per cent on average over the 2020/21 MTREF as a component in the operating revenue budget and increases year-on-year by an average of 6.9 per cent which indicates a nominal real growth. The projected tariff increase of 6.9 per cent is above the upper limit of inflation. The inflated tariff increase is designed to cater for current and future replacement or refurbishment of basic water infrastructure and a resounding need to generate surpluses. Actual technical **Water losses** amounted to 13.2 per cent for the 2018/19 audit outcome. The losses are of great concern as the Municipality has previously been cautioned to be mindful of the sustainability of the service over the long term by ensuring it is managed effectively through appropriate strategies which might include reticulation leak repair, proactively planning of repairs and maintenance guards against an increase in losses of this magnitude.

Post the drought we have seen the impact of the water saving measures on the Municipality's water revenue as using water sparingly has become the new norm for consumers. This is evidenced by the fact that the Municipality has had to adjust its water service charges budget materially in two consecutive years (R64.52 million in the 2018/19 mid-year adjustment budget and by R34.71 million in the current mid-year adjustment budget). The Municipality is urged to continue to apply fiscal discipline and tariff modelling linked to the long term financial plan is crucial in realising the desired levels of revenue as projections are under pressure.

Tariff increases for both the **Waste Water Management** and **Waste Management** are above inflation and the Provincial Treasury hereby recommend that a balance be struck by the Municipality between competing goals of the affordability, economic growth, the environment and the financial sustainability of the service over the medium to long term.

Figure 2: Grant Dependency



Source: MTREF 2020/21 Budget Tool

The Municipality is self-supporting with no significant reliance on operating grants and subsidies which amounts to an average of 10.8 per cent of total operating revenue to fund its daily operations over the MTREF. However, it was noted historically the Municipality recorded underspending of grants therefore in view of fiscal constraints to persist over the MTREF the Municipality is hereby urged to put controls or measures in place to fully spend grant allocations to avoid retention and or reduction of grant monies.

4.3.4 Adequacy of Expenditure Management Framework

Table 10 Operating Expenditure Budget

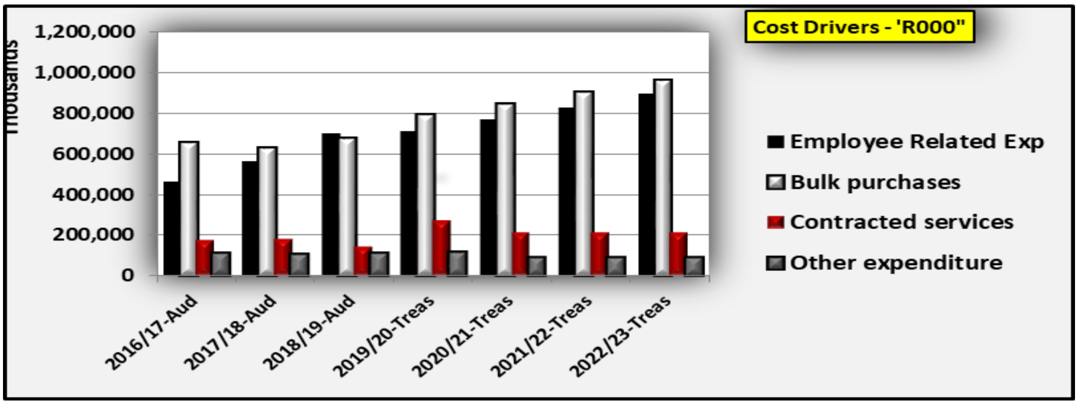
Description	2018/19	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget				Revenue source as a percantage of total revenue			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20 - 2020/21 (YOY)	2020/21- 2021/22 (YOY)	2021/22 - 2022/23 (YOY)	2019/20 - 2022/23 (AVE)	2020/21	2021/22	20222/23	2019/20 - 2022/23 (AVE)
Expenditure By Type														
Employee related costs	669,025	678,529	679,467	736,581	794,508	861,786	8.4%	7.9%	8.5%	8.2%	29.4%	30.1%	31.1%	30.2%
Remuneration of councillors	29,945	31,709	31,709	33,263	34,860	36,533	4.9%	4.8%	4.8%	4.8%	1.3%	1.3%	1.3%	1.3%
Debt impairment	105,608	125,035	127,641	111,181	113,707	116,194	-12.9%	2.3%	2.2%	-2.8%	4.4%	4.3%	4.2%	4.3%
Depreciation & asset impairment	210,624	215,870	215,870	240,352	244,691	248,074	11.3%	1.8%	1.4%	4.8%	9.6%	9.3%	8.9%	9.3%
Finance charges	158,386	162,759	108,323	182,312	180,728	176,828	68.3%	-0.9%	-2.2%	21.8%	7.3%	6.8%	6.4%	6.8%
Bulk purchases	678,014	793,938	793,938	847,891	905,568	967,224	6.8%	6.8%	6.8%	6.8%	33.8%	34.3%	34.9%	34.3%
Other materials	57,435	36,739	42,027	33,036	33,036	33,036	-21.4%	0.0%	0.0%	-7.1%	1.3%	1.2%	1.2%	1.3%
Contracted services	143,561	232,467	266,302	212,398	211,588	210,238	-20.2%	-0.4%	-0.6%	-7.1%	8.5%	8.0%	7.6%	8.0%
Transfers and grants	22,534	18,650	18,795	15,620	32,620	32,620	-16.9%	108.8%	0.0%	30.6%	0.6%	1.2%	1.2%	1.0%
Other expenditure	116,046	101,931	113,806	90,296	90,027	90,165	-20.7%	-0.3%	0.2%	-6.9%	3.6%	3.4%	3.2%	3.4%
Loss on disposal of PPE	10,991	2,000	2,000	2,000	2,000	2,000								
Total Expenditure	**2,202,170**	**2,399,626**	**2,399,877**	**2,504,930**	**2,643,333**	**2,774,698**	**4.4%**	**5.5%**	**5.0%**	**5.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Surplus/(Deficit)	**(220,856)**	**(67,849)**	**(86,561)**	**(85,518)**	**(46,523)**	**9,037**	**-1.2%**	**-45.6%**	**-119.4%**	**-55.4%**	-	-	-	

Source: LG Database and 2020/21 MTREF Budget

The sustainability of a municipality is heavily dependent on how they collect and spend their own revenues. Municipalities have therefore been advised to follow a conservative approach in compiling their 2020/21 MTREF budgets and eliminate wastage and unnecessary expenditure.

Drakenstein municipality projected for a **deficit** over the first two years of the 2020/21 MTREF period which is on a decreasing trajectory. The deficit is mainly caused by non-cash items such as **depreciation and asset impairment**. Depreciation is an expenditure which should be supported by cash surpluses to make provision for the replacement of assets in the future and a deficit can be an indication that revenue in aggregate is less than what is required for the full cost of rendering municipal services. By cash-backing depreciation the Municipality would be able to contribute to a capital replacement reserve which is important in light of increased infrastructure pressure over the medium to long term.

Figure 3: Expenditure cost drivers



Source: MTREF 2020/21 Budget Tool

The above graph indicates the four main cost drivers of the Municipality's operating expenditure budget. **Bulk purchases** is the leading cost driver making up 33.8 per cent of the total operating expenditure budget of R2.50 billion in the 2020/21 budget year. It is recommended that the Municipality be mindful of both electricity and water distribution losses and the impact it has on bulk purchases by ensuring adequate maintenance distribution infrastructure as well as putting control measures in place in terms of illegal connections and own municipal consumption of electricity and water.

The budget review by the National Minister of Finance highlighted the proposed wage bill reduction for public service, wherein municipalities are encouraged to take decisive action to address bloated organisational structures. The Municipality's **employee related costs** will be increasing at an average of 8.2 per cent and make up an average of 30.2 per cent of the total operating expenditure budget over the 2020/21 MTREF period. Although this is within the acceptable norm, the Municipality is cautioned against increases in the wage bill that will be unsustainable in the foreseeable future and negatively impact the Municipality's long-term financial strategy.

In analysing the **Travel & Subsistence** budget, it was identified that the Municipality budgeted for foreign travel however they failed to budget for foreign accommodation. The Municipality is therefore urged to correct this in its final budget. The Municipality is commended for allocating the **Debt impairment** expenditure according to each service as provided for in the chart. It appears though that the Municipality failed to budget for bad debts to be written off.

In performing the segment analysis of the tabled budget, it is evident that the Municipality has adequately budgeted for **repairs and maintenance**. The Municipality budgeted for both **preventative maintenance** as well as **corrective maintenance**. The only thing the Municipality has filed to budget for is **emergency based maintenance**. The Municipality is therefore advised to make use of all the options available to it in compiling its final budget.

The Municipality is urged to implement its **Cost containment policy** stringently so as to ensure that their resources are used effectively, efficiently and economically. Cost containment is crucial in the application of sound financial management principles that will drive the Municipality towards financial viability and allow it to provide services that are sustainable, economical and equitable to all its communities.

The Municipality must be commended as no **Fruitless and Wasteful** expenditure was recorded in the most recent audit outcome. This is an indication of the Municipality's ability to ensure that no expenditure is incurred in vain. The concern noted is in relation to the regression in terms of the **unauthorised expenditure.** The Municipality did not incur any unauthorised expenditure in the 2017/18 audited year but instead incurred it in the 2018/19 audit year amounting to R18.73 million. This therefore means that the Municipality did not exercise reasonable care in implementing its budget. **Irregular expenditure** has decreased materially by R38.17 million between the two most recent audited financial years (R1.45 million and R39.62 million in 2018/19 and 2017/18 financial years respectively). The Municipality is therefore urged to continue to manage its Supply Chain processes in a manner that doesn't result in expenditure being incurred in contravention of the requirements of the MFMA.

4.3.5 Adequacy of Capital Budget

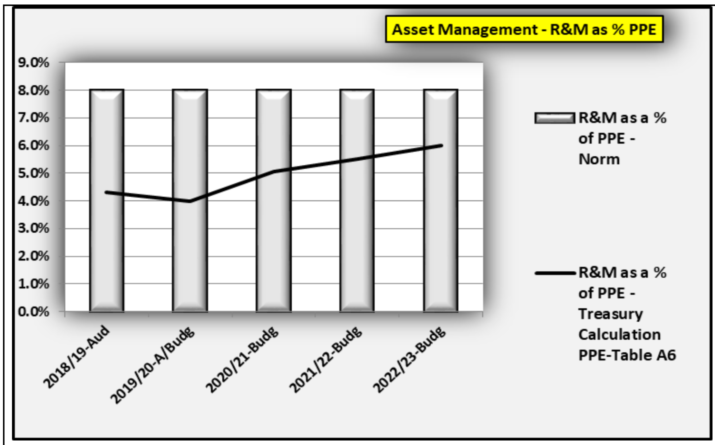
Table 11 Capital Budget

Vote Description	218/19	Current Year 2019/20 (until February 2020)				2020/21 Medium Term Revenue & Expenditure Framework			% Growth rates: MTREF Budget			
R thousand	Audited Outcome	Original Budget	Adjusted Budget	29 February 2020	YTD %	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	2019/20 - 2020/21 (YOY)	2020/21- 2021/22 (YOY)	2021/22 - 2022/23 (YOY)	*2019/20 - 2022/23 (AVE)*
Capital Expenditure - Standard												
Governance and administration	**36,369**	**48,185**	**17,672**	**8,150**	**46.1%**	**6,021**	**7,106**	**12,750**	**-65.9%**	**18.0%**	**79.4%**	**10.5%**
Executive and council	216	300	255	112	44.0%	120	800	2,050	-53.0%	566.7%	0.0%	0.0%
Finance and administration	36,093	47,235	17,416	8,038	46.1%	5,901	6,306	10,700	-66.1%	0.0%	0.0%	0.0%
Internal audit	60	650	–	–		–	–	–	0.0%	0.0%	0.0%	0.0%
Community and public safety	**69,986**	**113,214**	**78,221**	**40,578**	**51.9%**	**25,840**	**23,650**	**24,420**	**-67.0%**	**-8.5%**	**3.3%**	**-24.1%**
Community and social services	4,784	15,055	3,019	2,016	66.8%	600	1,800	2,000	-80.1%	200.0%	0.0%	40.0%
Sport and recreation	23,477	30,048	30,173	12,938	42.9%	14,840	14,850	15,350	-50.8%	0.1%	0.0%	-16.9%
Public safety	2,988	3,091	4,685	1,331	28.4%	2,300	3,000	3,120	-50.9%	30.4%	4.0%	-5.5%
Housing	38,737	65,020	40,344	24,292	60.2%	8,100	4,000	3,950	0.0%	0.0%	0.0%	0.0%
Health	–	–	–	–		–	–	–	0.0%	0.0%	0.0%	0.0%
Economic and environmental services	**77,684**	**31,805**	**45,781**	**20,532**	**44.8%**	**95,604**	**6,000**	**20,800**	**108.8%**	**-93.7%**	**0.0%**	**5.0%**
Planning and development	166	15	180	131	72.7%	150	–	–	-16.7%	-100.0%	0.0%	-38.9%
Road transport	77,518	31,790	45,601	20,401	44.7%	95,454	6,000	20,800	109.3%	-93.7%	0.0%	5.2%
Environmental protection	–	–	–	–		–	–	–	0.0%	0.0%	0.0%	0.0%
Trading services	**388,494**	**184,826**	**151,330**	**54,401**	**35.9%**	**89,684**	**76,723**	**54,732**	**-40.7%**	**-14.5%**	**-28.7%**	**-28.0%**
Energy sources	155,204	46,930	48,746	20,674	42.4%	39,950	41,200	33,500	-18.0%	3.1%	-18.7%	-11.2%
Water management	174,039	99,955	58,613	26,351	45.0%	45,149	20,113	18,232	-23.0%	-55.5%	-9.4%	-29.3%
Waste water management	56,165	22,656	40,286	7,016	17.4%	1,985	1,910	1,500	-95.1%	-3.8%	-21.5%	-40.1%
Waste management	3,087	15,285	3,685	360	9.8%	2,600	13,500	1,500	-29.4%	419.2%	0.0%	129.9%
Other	–	–	410	–		–	–	–	0.0%	0.0%	0.0%	0.0%
Total Capital Expenditure - Standard	**572,534**	**378,030**	**293,414**	**123,661**	**42.1%**	**217,149**	**113,479**	**112,702**	**-26.0%**	**-47.7%**	**-0.7%**	**-24.8%**
Funded by:												
National Government	63,201	90,650	91,950	22,674	24.7%	85,649	63,479	61,782	-6.85%	-25.88%	-2.67%	-11.80%
Provincial Government	73,148	55,520	41,949	31,745	75.7%	78,900	–	920	88.08%	-100.00%	100.00%	29.36%
District Municipality	–	–	–	–		–	–	–	0.00%	0.00%	0.00%	0.00%
Other transfers and grants	–	2,638	3,781	785	20.8%	2,600	–	–	0.00%	0.00%	0.00%	0.00%
Transfers recognised - capital	**136,348**	**148,808**	**137,680**	**55,204**	**40.1%**	**167,149**	**63,479**	**62,702**	**21.40%**	**-62.02%**	**-1.22%**	**-13.95%**
Public contributions & donations									0.00%	0.00%	0.00%	0.00%
Borrowing	357,115	220,340	94,003	47,859	50.9%	–	–	–	0.00%	0.00%	0.00%	0.00%
Internally generated funds	79,070	8,882	61,730	20,598	33.4%	50,000	50,000	50,000	-19.00%	0.00%	0.00%	-6.33%
Total Capital Funding	**572,534**	**378,030**	**293,414**	**123,661**	**42.1%**	**217,149**	**113,479**	**112,702**	**-25.99%**	**-47.74%**	**-0.68%**	**-24.81%**

Source: LG Database and 2020/21 MTREF Budget

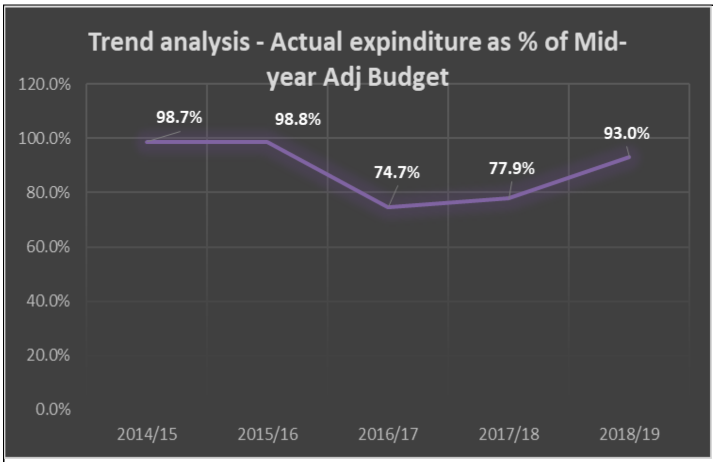
The Municipality has made provision for the replacement and renewal of existing infrastructure over and above the budget for new capital assets. The budget for new asset, renewal of existing assets and the upgrading of existing assets amounts to an average of 55.3 per cent, 9.2 per cent and 35.5 per cent respectively over the 2020/21 MTREF.

Figure 4: Repairs& Maintenance as % of PPE



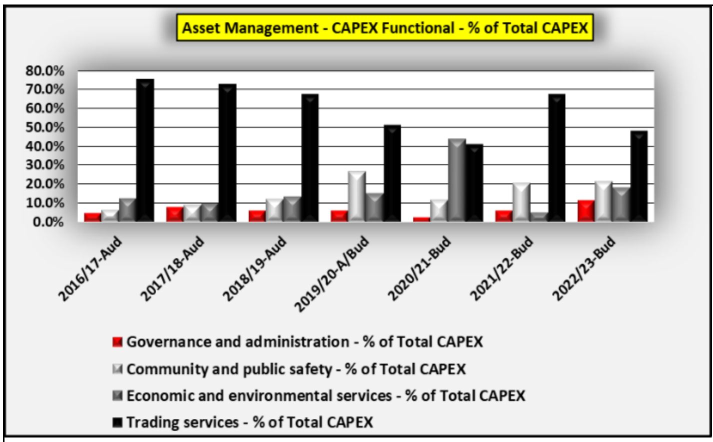
The Municipality is allocating about 6 per cent of its budget towards repairs and maintenance of its assets, which is below the accepted norm of 8 per cent. This is of great concern considering the deterioration and ageing of infrastructure which coupled with the low levels of repairs and maintenance over the MTREF raises the possible risk in terms of the safeguarding of the asset base.

Figure 5: Actual expenditure as % of capital budget



The Municipality achieved an average capital spending of 88.6 per cent when comparing their actual expenditure to the mid-year adjustment budget over the last five (5) audited financial years with the lowest percentage of 74.7 per cent being achieved in 2016/17 budget year. Current year-to-date performance is in line with previous trends and it is a concern. Capital spending remains a risk for Drakenstein and has a spill-over effect on the long term capital funding model and the Municipality is encouraged to continuously monitor the implementation of strategies to address the management of the capital budget including applying project management principles.

Figure 6: Capital budget functional classification

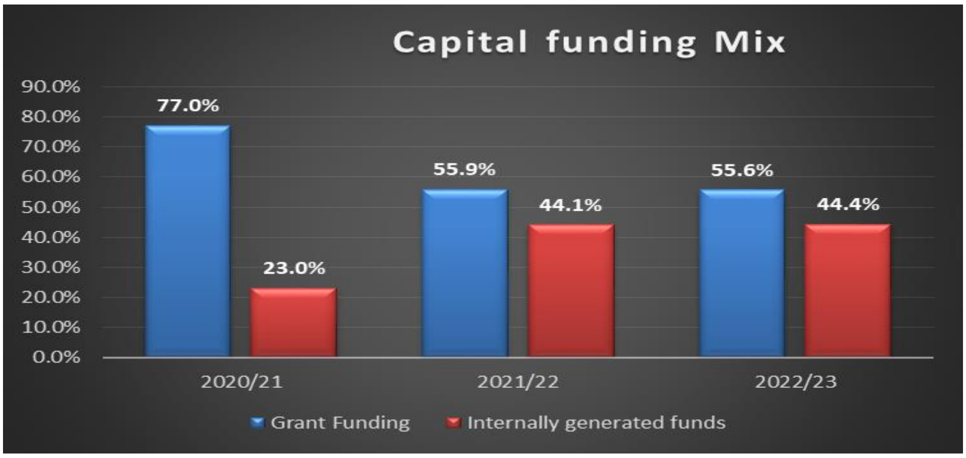


Trading services constitute an average of 49.9 per cent of the total capital budget over the MTREF and it is thus evident that the capital budget of Drakenstein Municipality is largely vested in trading services, of which a major portion of it is appropriated for water management.

Source: Budget Funding Assessment Tool

The renewal and upgrading of existing infrastructure accounts for 44.7 per cent of the capital budget over the 2020/21 MTREF. This is an indication that the Municipality's capital programme is aligned to the acceptable asset renewal strategy.

Figure 7: Capital budget funding mix:



Source: MTREF 2020/21 Budget Tool

The above graph depicts that the Municipality's capital budget places reliance on transfers and subsidies. The Municipality is grant dependant to fund its capital budget as grant funding amounts to an average of 62.8 per cent over the MTREF. What is of concern is the fact that the Municipality has only spent 40.1 per cent of the grant funding to date in the current financial year and therefore runs the risk of having unspent grants at the end of the financial year.

The Municipality is in no position to take up borrowings to fund its capital budget as they have had to restructure their current existing long-term debt. The restructuring agreement has barred the Municipality from taking up any additional borrowings. This agreement should hopefully steer the Municipality towards an acceptable borrowing limit as set out in the borrowing, funding and reserve policy.

The Municipality does not have sufficient cash backed reserve to put it in a position to contribute substantially towards its capital budget from its own internal funds. Taking into consideration the trend analysis of actual capital expenditure achieved by the Municipality over the past audited years, it is imperative that municipality put measures in place to fully spend the budget of grant funded capital projects in order to avoid the risk of retention or reduced allocations in future years.

4.3.6 Table A6 – Financial Position

Purpose

To undertake an assessment of the overall credibility of the budget funding (Table A6) and to establish the working capital requirements.

Capital budget Funding mix:

Borrowing - The Municipality planned to fund capital expenditure primarily from capital transfers and its own internally generated funds over the MTREF period. The Municipality is budgeting for capital transfers to the amount of R167.15 million, R63.48 million and R62.70 million for the 2020/21, 2021/22 and 2022/23 MTREF years. The Municipality also intends to finance their capital expenditure from own internally generated funds to the amount of R50 million over the MTREF period. The Municipality does not intend to take up additional borrowings over the MTREF period as the Municipality has reached its affordability capabilities in taking up any additional borrowings.

Table 12: Table A6 - Financial Position

	2017	2018	2019	2020	2021	2022	2023
Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	2 Month	1 Month	0 Month	1 Month	1 Month	1 Month	2 Months
Current Ratio	1.17	0.98	0.61	0.99	1.13	1.33	1.37
Liquidity Ratio	0.54	0.35	0.09	0.36	0.49	0.68	0.79
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	12.22%	14.41%	15.06%	5.80%	8.06%	7.54%	9.21%
Debt (Total Borrowings) / Revenue	73.38%	86.91%	91.11 %	75.02%	69.60%	63.89%	60.98%

The analysis of the A6 (Budgeted Financial Position) and A8 indicates that the Municipality has reported a negative working capital that demonstrates that the Municipality does not have enough funds to meet its short-term liabilities over the MTREF period.

Cash and cash Equivalents

The Municipality budgeted for a positive cash and cash equivalents throughout the MTREF financial years of R290.37 million, R404.93 million and R515.73 million for 2020/21, 2021/22 and 2022/23 respectively. Current Ratio

The Municipality's current ratio increases over the 3-year MTREF period from 1.13:1 (2020/21), 1.33:1 (2021/22) to 1.37:1 (2022/23). The ratio is unfavourable and remains below the NT norm of 1.5 - 2:1.

Liquidity ratio

The liquidity ratio is reported to be 0.49:1, 0.68:1, and 0.79:1 for the 2020/21, 2021/22 and 2022/23 years respectively. This ratio depicts that the Municipality is anticipating that it will not have adequate financial resources to settle its short-term debts. The Municipality is exposed to liquidity risk.

Cash Cover Ratio

The Municipality reflects a cost coverage ratio of 1 month over the MTREF years except for the 2022/23 financial year which reflected a coverage ratio of 2 months. The anticipated cash coverage ratio is within the NT norm of 1 - 3 months, depicting that the Municipality might have adequate cash resources in the immediate financial year to meet its monthly fixed operating commitments from cash.

Debt (Total Borrowings) to total Operating Revenue

The debt ratio is decreasing from 69.60 per cent (2020/21), 63.89 per cent (2021/22) to 60.98 per cent (2022/23) over the MTREF period. The anticipated debt ratio is way above the NT norm of 45 per cent, indicating that the Municipality does not have the capacity to take on additional increase funding from borrowing. The Municipality had to restructure its loans, and is not expected to borrow in the MTREF Capital Cost (Interest Paid and Redemption/Total Operating Expenditure

The capital cost ratio fluctuates over the 3-year MTREF period from 8.06 per cent (2020/21) to 7.54 per cent (2021/22) to 9.21 per cent (2022/23). The ratio is above the National Treasury norm of 6 - 8 percent, indicating that the Municipality does not have adequate capacity to take on additional debt to finance infrastructure projects.

4.3.7 Table A7 – Cash Management

The Municipality reported a positive budgeted cash flow as per the A7 (Budgeted Cash Flow Statement) of R290.37 million, R404.93 million and R515.73 million for 2020/21, 2021/22 and 2022/23 respectively. This depicts that the Municipality anticipates having a positive cash position over the MTREF.

The MTREF budget indicates that the Municipality intends to collect its revenue in line with the anticipated budgeted average collection rate of 97 per cent.

4.3.8 Table A8 – Application of Cash and Investments

The Municipality has taken into consideration the required applications to the reported cash and cash equivalents reflected in the table. The A8 depicts that the Municipality will achieve an overall outcome of R127.36 million for 2020/21, R230.36 million for 2021/22 and R318.00 million for 2022/23. The outcome of the A8 table reflects that the Municipality's budget is unfunded for the 2020/21 financial year and becomes more funded during the outer MTREF years.

The analysis of the SA10 indicates that the Municipality has budgeted for an Operating deficit of R85.52 million, R46.52 million and R9.04 million during the 2020/21, 2021/22 and 2022/23 MTREF years respectively.

However, the recalculation by excluding non-cash items such as depreciation, debt impairment and asset impairment yields a surplus from the operating revenue and expenditure, Therefore, the Municipality remains funded.

4.3 MSCOA IMPLEMENTATION

- The Municipality successfully loaded its TABB data string on the LG database portal within 3 days of tabling the budget, as was required in Budget Circular No. 99. Both the TABB and PRTA strings were successfully uploaded with no errors.
- In performing the perfect alignment comparison of the council approved A-Schedule to the data strings uploaded on the LG database portal, it was identified that the two data sources were not perfectly aligned only on Table A7 and Table A9. The Municipality is therefore advised to correct these in its final budget strings.
- The Municipality is utilising a majority of the modules available in its financial system, and the only modules it is not utilising are those that became available on the core financial system after the Municipality had already procured and made use of third-party systems i.e. the Document Management System. The Municipality draws all its A-schedules directly from the financial system and only the non-financial information is manually populated.
- The Wizard Tool was utilised to analyse the segment use in the data strings of the Municipality. The results on the Item Segment have been incorporated in the operating revenue and expenditure as well as the capital budget narrative in points 4.3.3 - 4.3.5 above. Findings related to the other segments include the following:

Project segment

- The Municipality has correctly allocated Revenue Items to "Project Default" as is required. They have however not utilised Operating project: Typical work streams adequately as an option in compiling its budget. Majority of costs that have been allocated as Municipal Running Costs could be allocated as a typical work stream. It is therefore recommended that the Municipality identifies items listed as running costs and try allocate some of these to Typical Work streams. The Municipality is further advised to consider making use of the emergency-based maintenance option available for operating project: maintenance as was alluded to in the above operating expenditure analysis.

Funding Segment

- The Municipality has made adequate use of the fund segment. The only concern worth noting is that Depreciation and amortisation has been allocated to a funding source. This item is a non-cash item and should not be linked to a funding source. As a result the funding segment for this item should be allocated to "non-funding".

Costing Segment

- The Municipality has not made use of this segment effectively. All items have been allocated to "default", whereas the chart makes provision that the Municipality at least tries to make use of the four services (electricity, water, waste management and wastewater management). The Municipality is therefore advised and urged to make adequate use of this segment.

Region Segment

- Drakenstein Municipality has made adequate use of this segment. The budget has been allocated across all wards of the Municipality and has not been restricted to only the Whole of municipality and Administration regions.

- Function Segment:

- The Municipality has made adequate use of the function segment.

SECTION 5: KEY FINDINGS, RISKS AND RECOMMENDATIONS

This section outlines the main points and risks/recommendations based on the SIME Assessment.

DLG

- Undertake an exercise to comprehensively align all sector plans the Municipality has formulated to that of national and provincial priorities.
- Include a comprehensive ten-year Capital Expenditure Framework to ensure that bulk infrastructure services and internal infrastructure services together with the foreseen funding sources are planned for in an integrated and coordinated manner.
- Should reflect on inclusive access and mobility within the Municipality to prevent spatial inequality.

DEADP

- If the matter of how to prevent an enclave for the wealthy developing below the N1 in Paarl has not been addressed yet, we recommend that before the draft SDF and IDP (with the associated budget) are approved, this issue be addressed through these respective documents.
- Despite the good intentions, the degree to which mainstreaming of climate change is throughout the IDP remain a challenge. It predominantly features in environment programmes which are generally not well resourced. The fact that a response framework exists is hugely positive and an effective way to secure support from the full range of departments in the Municipality.
- The Municipality must look at ways to extend the available landfill airspace for as long as they can. With the amount of Garden Waste present at the municipal facilities, the Municipality is encouraged to devise an organic waste diversion plan immediately. The Municipality must prioritise the chipping of garden waste at the Facilities in the area as these pose a fire risk.
- A budget allocation to implement the Drakenstein Municipality's AQMP is required to be secured in its IDP.

Responsiveness

- Rising learner enrolment (1.7 per cent, SEP-LG 2019), Educational facilities (67, SEP-LG 2019) and Learner retention (72.6, SEP-LG 2019) as well as Healthcare facilities (17 primary healthcare facilities) and a growing malnutrition rate (3.0) is further proof of the growing demand for social services across the municipal region.
- The Municipality has prioritised Infrastructure expenditure with the aim of also providing electricity across the Municipality, however the relatively small Opex (R46.5 million) allocations towards the facilitation of sustainable economic empowerment for all communities within Drakenstein in 2019/20 is a cause for concern considering that the IDP Review list this objective as being a game changing priority. This is a repeated finding.

Public Finance

- The Municipality has tabled the 2020/21 MTREF within the legislative timeframe which is viewed as a credible however not sustainable as the tabled budget cannot be regarded as funded. Analysis of the cash and cash equivalent budgeted for appear to be unrealistic considering the liquidity risk the Municipality faces which has resulted in it restructuring its long term debt

- Although the municipal wage bill is within the national norm and on the affordability limit as set in budget, funding and reserve policy it is growing in excess of CPIX and will place pressure on available resources effective management of employee related costs as one of the largest expenditure components is recommended in relation to the revenue growth.

- The repairs and maintenance of the infrastructure must be prioritised by the Municipality so as to extend the useful life of the capital assets. It is of outmost importance that the Municipality strikes a balance between the level of new investment in capital infrastructure and the replacement/renewal of the capital assets in line with the long term financial plan strategies that will render the Municipality financially sustainable in the foreseeable future.

- Emphasis should be made on guarding against electricity and water losses. In an environment where the national electricity supplier, ESKOM, is already constrained, as well as the importance of water conservation in the face of current global climate changes, unnecessary distribution losses should be kept at a minimum.

- The Municipality is advised to address the findings related to the segment tool analysis. This is to ensure that the final budget takes into account all the recommendations and correct segment use is achieved in order for the financial the data strings to be correctly populated. Furthermore, the Municipality should ensure that they apply the principles on the A7 and SA30 linkages as advised by the National Treasury so as to ensure that the cash flow of the Municipality is correctly populated.

CASH

- The liquidity ratios of less than 1 indicates that The Municipality is exposed to liquidity risk

- The Municipality is cautioned to monitor the increasing in debtors' balances and non-collection of revenue.

- The Municipality has reached its access to borrowing capabilities to fund any infrastructure projects through loans.

- The Municipality is encouraged to decrease its debt (total borrowing) to revenue ratio to below 45 per cent and honour all loan repayment agreements.

- The Municipality is advised to prioritise correcting the reporting errors relating to mSCOA segment classifications.

ANNEXURE A

Contact details of officials working in DEA&DP should guidance be required in terms of the COVID-19 considerations highlighted in the report:

Mr Zaahir Toefy Director: Development Management Email: zaahir.toefy@westerncape.gov.za	Region 1: City of Cape Town and West Coast District Municipal area. Region 2: Cape Winelands District Municipal area and Overberg District Municipal area
Mr Gavin Benjamin Director: Development Management Email: gavin.benjamin@westerncape.gov.za	Region 3: Garden Route District Municipal area and Central Karoo District Municipal area.
Mr Eddie Hanekom Director: Waste Management Email: eddie.hanekom@westerncape.gov.za	Western Cape
Dr Joy Leaner Director: Air Quality Management Email: joy.leaner@westerncape.gov.za	Western Cape
Mr Marius Venter Environmental and Planning Appeals Co-ordinator Email: marius.venter@westerncape.gov.za	Western Cape
Mr Kobus Munro Director: Development Management Email: kobus.munro@westerncape.gov.za	Western Cape

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

A city of **excellence**

Strategic Integrated Management Engagement

Microsoft Teams | 8 May 2020

Content:

IDP/Budget Process

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Vision

A city of excellence

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Key Performance Areas (KPAs)

Key Performance Areas

- Good Governance
- Financial Sustainability
- Institutional Transformation
- Physical Infrastructure Services
- Planning and Economic Development
- Safety and Environmental Management
- Social and Community Development

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Strategic Framework

Key Performance Area	Strategic Objective
KPA 1: Good Governance	To ensure good governance and the active participation of all relevant stakeholders.
KPA 2: Financial Sustainability	To ensure financial sustainability in order to meet the statutory requirements.
KPA 3: Institutional Transformation	To transform the municipality into an effective and efficient organisation.
KPA 4: Physical Infrastructure & Services	To provide and maintain the required physical infrastructure and to ensure sustainable and affordable services.
KPA 5: Planning and Economic Development	To plan and facilitate sustainable and inclusive economic growth and development.
KPA 6: Safety and Environmental Management	To ensure a safe community and a healthy and protected environment.
KPA 7: Social and Community Development	To facilitate social and community development.

IDP/Budget Process Plan

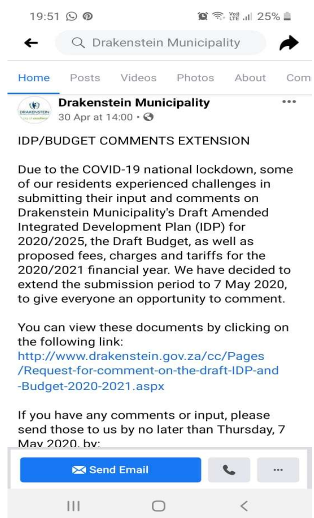
Step	Activity	Timeframe
1.	IDP & Budget Steering meetings every month from beginning of financial year	
2.	IDP & Budget Process Plan schedule approved by Council	Aug-19
3.	Ward Committee Engagements - inputs from ward committees and Community.	Sep-19
4.	Departmental inputs on Draft allocations	Oct-19
5.	Council consider the Mid year budget assessment	Jan-20
6.	Council consider the Adjustment Budget	Feb-20
7.	Draft IDP & Budget tabled in Council	March-20
8.	Community Engagements (did not take place due to COVID-19 lockdown regulations)	April-20
9.	SIME and further consultation	May-20
10.	Consideration of comments received from community	May-20
11.	Tabling of Final IDP & MTREF	May-20

Impact of COVID-19 on IDP/Budget Process

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

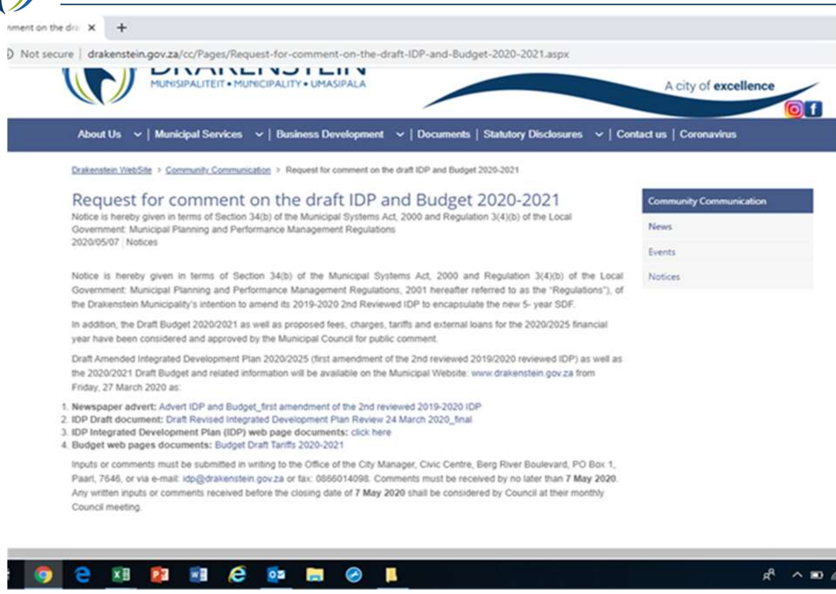
Strategic Integrated Management Engagement

- No public participation meetings could take place
- Adjusting of communication strategies and plans
- Notices for comments on various platforms (Advertisement in newspaper, SMS, Facebook and the municipal website)
- Videoclip providing information on the IDP and Budget was made available to stakeholders and broader community via WhatsApp and Facebook
- Extension of deadline for comments to ensure active participation
- Continuous reminders were communicated



DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement



Impact of COVID-19 on municipal environment

Timeline of COVID-19 National Mitigation Measures Implemented by the President	
05 March 2020	1st positive case recorded in South Africa
15 March 2020	State of National Disaster declared
23 March 2020	Lockdown declared
26 March 2020	Commencement of lockdown
09 April 2020	Extension of Lockdown
23 April 2020	Announcement of Risk Adapted Strategy to ease the lockdown
01 May 2020	Lockdown Level 4

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Organisational arrangements to ensure the following:

- Delivering of basic services
  - Water
  - Electricity
  - Cleansing

- Assist with enforcement of lockdown regulations
  - Public awareness campaigns
  - Increased patrols
  - Increased roadblocks

- Safe working environment for essential staff

- Delivering on social pressures
  - Humanitarian relief/Food Security for the communities
  - Caring for vulnerable groups
  - Caring for the homeless

Impact of COVID-19 on financial sustainability

Debtors

- Increase in debtors of R38.4m (March 2020: R341m vs April 2020: R379m)

Revenue

- Month to month decrease of 26% in cash received.
- Slow down in developments impacting growth in revenue base.
- Increase in indigents.

Operational Expenditure

- Increased expenditure due to additional expenditure related to COVID-19.
- Increased provision for doubtful debt.

Capital Expenditure

- No spending on capital projects during April 2020 will impact negatively on completion of projects and ultimately service delivery.

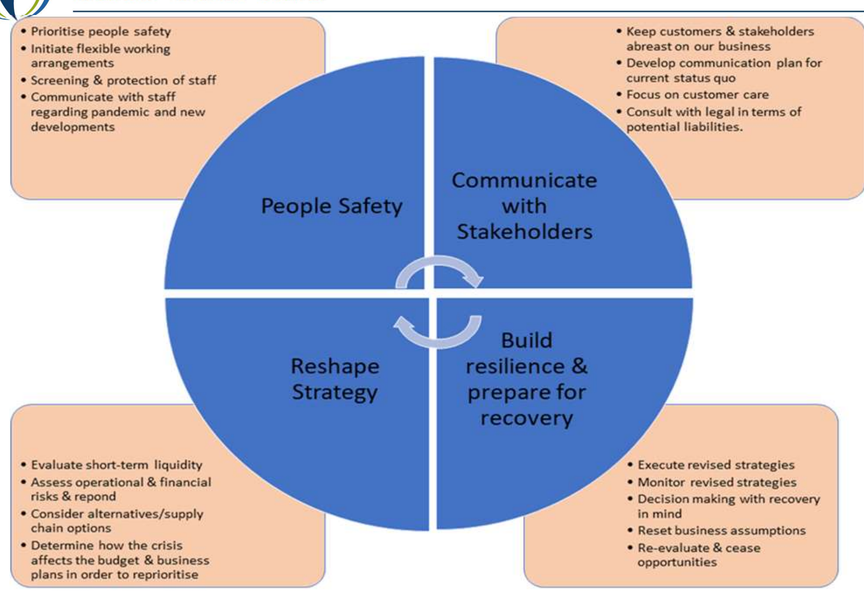
Special Adjustments Budget

- The municipality is busy assessing the extent of the impact of COVID-19 on the 2019/20 approved budget.
- Due to increased expenditure and reprioritization of projects as well as the negative impact of the cash collection, an adjustments budget will be necessary.
- This will be tabled within the guideline provided on 15 June 2020.

Reaction to COVID-19 challenges

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement



Revenue

The outbreak of COVID-19 has shifted municipalities' revenue collection abilities to a new norm. We have experienced that during this time we can no longer rely on our conventional credit control actions such as disconnection of electricity. Our focus now shifts to customer care, communication and thinking outside the box to collect moneys owed to municipalities.

Those municipalities who will not embrace this new norm might suffer more losses than the ones experienced now. In our cases we have sharpened up on the following:

- Initiated the sending of municipal accounts via SMS.
- Increasing the number of consumers receiving accounts via email.
- Investigating online water and electricity readings portal.

Expenditure

- Continue delivering services to the community that are on standard;
- Cleansing and sanitizing of public areas;
- Ensure readiness to facilitate greater movement of the public;
- Support efforts to stimulate the local economy;
- Provide support for screening and public awareness; and
- Enforcement of by-laws and regulations.

Discussion needed on the following:

- SALGA membership fees;
- No salary increases for 2020/2021 only notch increases; and
- No danger pay or allowances that will impact the wage bill negatively.

Public Value Creation

This section seeks to assess the Municipality's Integrated Development Plan as well as providing an environmental analysis of the Municipality and how it collectively contributes to achieving maximum public value.

Integrated Planning Analysis

Compliance Finding	Municipal Response
A memorandum setting out the reasons for the proposal in accordance with Regulation 3(2)(a) of the MSA Regulations was not attached to the proposed 2020/21 IDP Amendment.	The item that was submitted to Council explicitly sets out the reasons for, and the process that will be followed in respect of the proposed amendment of the IDP. It was submitted again.
The proposed 2020/21 IDP Amendment does not reflect alignment with the District framework adopted in terms of section 27 of the MSA.	The Municipality informed the CWD Municipality of its intent to amend the IDP based on the fact that the Municipality is drafting a new SDF.

Compliance Finding	Municipal Response
Consultation with the CWD Municipality on the proposed amendment is not evident from the proposed 2020/21 IDP Amendment.	The municipality informed CWD Municipality of its intent to amend. Consultation results will be incorporated into the final IDP. The process to consult with the District is outlined in the item that was submitted to Council.
The Municipality's 2020/21 MFMA Time Schedule is not clear that an IDP amendment process in accordance with Regulation 3 will be followed.	The reason for the amendment of the IDP relates to the drafting of the new 5 year SDF and the processes related to this forms part of the 2020/2021 Time Schedule. The Municipality however takes note of the recommendation and will ensure that any amendment/ review process is outlined more clearly in future.

Compliance Finding	Municipal Response
The proposed 2020/21 IDP Amendment indicate partial alignment of the Human Settlement and Disaster Management Plans and notes no sector plans for Local Economic Development and Infrastructure Growth.	The final IDP refers in detail to the economic strategy. As a City, the municipality can no longer afford to focus on the local environs. It is incumbent upon a growing city to include regional, national and multi-national strategies, trends and implementation options. The municipality does have an Integrated Economic Growth Strategy, which was approved by Council in August 2019 after extensive consultations. Comments were received from both DEDAT and PT and were included in the final IEGS document as appropriate. The municipality also reports on the progress related to the Strategy on a quarterly basis via the Provincial WCMES. As a City, the municipality can no longer afford to focus solely on the local environs. It is incumbent upon a growing city to include regional, national and multi-national strategies, trends and implementation options. Reviews of the IEGS are currently underway due to COVID-19.

Spatial Planning and Development

- **SDF and IEGS:**
  - SDF to be tabled to Council in May. Finalisation depends upon budget completion, in order to include the CEF and Implementation Plan
  - IEGS – focusing on review due to COVID-19: business retention, business, review and support to SMME. The complete business and economic value chain requires support and overhaul
- **COVID-19: Recovery strategy and intervention plan**
  - Unemployment will rise exponentially with major job losses in the Agriculture, Tourism, Construction, Retail, Logistics, Manufacturing sectors – all of which are significant contributors to job creation as well as the GDP in Drakenstein
  - Poverty, inequality, Food security
  - Immigration increasing: chasing what little there is
  - Land Use Management and Building Control

Key findings and recommendations	Municipal Response
Municipality to update the population statistics aligned with the most recent information in the SEP-LG 2019.	The municipality used the SEP-LG stats 2019 to update relevant population statistics where applicable.
Undertake an exercise to comprehensively align all sector plans the Municipality has formulated to that of national and provincial priorities.	The municipality takes note of the recommendation.
Include a comprehensive ten-year Capital Expenditure Framework to ensure that bulk infrastructure services and internal infrastructure services together with the foreseen funding sources are planned for in an integrated and coordinated manner.	As DM is a secondary city and part of IUDG grant funding, a CEF is required to access this grant. The first CEF was compiled in May 2019 and this document is currently being updated and will be submitted to CoGTA by the end of May 2020. The service provider has been appointed to assist the municipality with the annual update of the CEF for the next 5 years.

Environmental and Planning Analysis

Key findings and recommendations	Municipal Response
Spatial Planning Although on many fronts the Municipality is doing well in terms of implementing the SPLUMA principles there remains a concern that the area to the South of the N1, along the R301, is on track to become an “enclave for the wealthy”. Should this happen, the SPLUMA principles of efficiency, spatial justice, spatial resilience and spatial sustainability will be severely undermined.	The compilation of a local SDF for the area south of the N1 has been identified as a high priority project in order to ensure that the area does not become an "enclave for the wealthy". The project will be initiated when the necessary budget allocation is available. As part of decision making on land use planning applications, all applications are evaluated against the SPLUMA principles.

Key findings and recommendations	Municipal Response
Spatial Planning It is hard to tell if the budget is reflecting the SDF as there does not appear to be a comprehensive indication of where spending is taking place. Although the SDF is included in the IDP, the Catalytic Zones and Big Moves identified in the IDP and the SDF and not referred to in breakdown of the budget.	The existing approved 2015 Drakenstein Spatial Development Framework (Annual Review 2017/2018) (SDF) identifies 13 geographical Focus Areas (FA). Each FA has four components namely; 1) a Spatial Concept Plan, 2) a Land Use Implications Plan, 3) a list of priority projects; and 4) an implementation matrix. The list of priority projects directly aligns with the Big Moves as contained in the IDP. The implementation matrix gives an indication when the budget allocation for the identified priority projects will possibly be available and what funding sources can possibly be utilised. Section 7.3 of the SDF summarizes all the identified priority projects. Upon finalization of the capex it will be included in the CEF and Implementation Plan.

Key findings and recommendations	Municipal Response
Biodiversity The SPC categories as listed are not specifically aligned with the WCBSP 2017 categories. However, the CBA and ESA categories are indicated as such in the plans. There is a strong emphasis throughout the SDF on protecting CBA's. It also contains detailed management guidelines for CBA's and ESA's (Table 6.1). Include table as per Table 4.4 on page 84 of WCBSP 2017 handbook.	Spatial Planning Categories are referred to as "Spatial Planning Elements" in the existing approved 2015 Drakenstein SDF (Annual Review 2017/2018). The Spatial Planning Element "CBA" combines all the spatial planning categories as referred to in the WCBSP 2017 into one element. The WCBSP spatial planning categories are therefore not described individually. However, it must be noted that Environmental Management was identified as a Municipal Scale Strategic Theme. The theme entails a municipal scale strategic map, which identifies all CBA's, ESA's, and other natural areas which must be protected, and strategies to assist in protecting and enhancing the CBA's, ESA's, and other protected areas.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
Strategic Integrated Management Engagement

Key findings and recommendations	Municipal Response
Climate change Despite the good intentions, the degree to which mainstreaming of climate change is throughout the IDP remain a challenge. It predominantly features in environment programmes which are generally not well resourced. The fact that a response framework exists is hugely positive and an effective way to secure support from the full range of departments in the Municipality.	An operational budget of R200 000 was allocated for climate change initiatives specifically to the Environmental Management Division. This excludes initiatives in other line departments where climate change considerations are incorporated into projects.

Key findings and recommendations	Municipal Response
Air Quality Management It is advisable that Local Municipalities ensure that there is money available on the budget for Air Quality Management activities. Air Quality Officer needs to attend to noise, odour and dust complaints and would need portable samplers to assist them to enforce air quality management roles and responsibilities.	The appointed air quality officer is undertaking both air quality management duties in terms of the Prevention of Atmospheric Pollution By-Law, NEM: AQA and the air quality management plan as well as noise management duties in terms of the Western Cape Noise Regulations. An operational budget of R200 000 was available in the 2019/20 financial year. The municipality is in possession of a noise meter but air quality measurements are being outsourced to an external service provider as required.

Waste Management

- The 3rd Generation IWMP was reviewed by DM after the Waste to Energy project was cancelled. The draft 3rd Generation IWMP was advertised for public comment that closed 31 March 2020. The IWMP must be finalised and submitted to Council.
- Waste Information Management - DM is compliant in all aspects listed.
- Waste Diversion: DM is currently busy with surveys on alternative methods for waste diversion and disposal. Diversion plan is by end of June 2020.
- DM supports local “SWOP SHOP” centers to encourage waste minimization within lower income communities. EPWP workers will also be trained and used for awareness campaigns within these areas.
- Landfill site auditing is occurs quarterly and annually. Previously stored asbestos was collected, removed and safely disposed during March 2020 by a registered company.
- Substantial chipping is being done during 2019/2020 to address backlog of chipping.
- Collaboration is taking place with Cape Winelands District Municipality in exploring regional solutions.

Economic Sustainability

This section examines if the tabled 2020/21 MTREF Budget is responsive from an economic and socio-economic perspective and the Municipality's ability to meet the legitimate expectations of the community for services from its limited resources to effect inclusive growth.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Socio-Economic Context and Implications

Key findings and recommendations	Municipal Response
Drakenstein is the most populated area across the Cape Winelands District with an average annual growth rate of 1.5%	This put further pressure on the municipality for the provision of basic services with the influx of people. In many cases this also leads to an increase in indigent households which holds a negative impact on the revenue base.
High unemployment rate for Drakenstein (12.7%) outstrips that of the CWD as a whole (9.5%).	Even though the municipality has a very high unemployment rate it is significantly below the provincial average (17.7%).

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Key Budget Priorities in terms of IDP Strategic Objectives

Key findings and recommendations	Municipal Response
Capital budget allocations are however heavily weighted towards the strategic objective: *"To ensure efficient infrastructure and energy supply…" with R195.3 million (or 90%) in 2020/21. A similar trend persists across the ensuing MTREF.* Although the substantial allocation towards infrastructure expansions is commended, the Municipality should consider distributing funds more equally amongst the various objectives in an attempt to adhere to the "Balanced Budget" approach.	Management takes note of the comment but due to the restricted funding mix due to various reasons, the municipality has to ensure that it can deliver on its core mandate which is the delivering of basic services.

Paarl | Wellington | Gouda | Saron | Simondium 35 A city of **excellence**

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Key Budget Priorities in terms of IDP Strategic Objectives

Key findings and recommendations	Municipal Response
Capital budget allocations are however The relatively small Opex (R46.5 million) allocations towards the facilitation of sustainable economic empowerment for all communities within Drakenstein in 2019/20 is a cause for concern considering that the IDP Review list this objective as being a game changing priority. This is a repeated finding.	The municipality aims to apply a more cost effective approach and limiting the use of external contractors on related activities. This approach will add more value in creating a conducive environment for economic activity through internal mechanisms / methods and targeted areas that are more relevant and effective in yielding desired results.

Paarl | Wellington | Gouda | Saron | Simondium 36 A city of **excellence**

Financial Sustainability

This section examines the financial health position of the Municipality through ratio analysis and assess the sustainability and credibility of the 2020/21 MTREF operating and capital budget.

Credibility and Sustainability

Financial Ratios and Norms

Asset Management

- Capital Expenditure to Total expenditure will continue to decrease due to constrained funding mix.
- Capital Expenditure spending for 2018: 99.7% and 2019: 101.6%. Spending of 2019 was disclosed in the AFS accordingly and handled in terms of approved policy.
- Repairs and maintenance on average over the MTREF amounts to 4.3% of the carrying value of PPE compared to the NT norm of 8%.

Financial ratios and norms	2018/19	2019/20	2020/21	2021/22	2022/23
Repairs and Maintenance as a % of Operating Expenditure: >10%	12.0%	10.7%	11.2%	11.0%	11.0%

- To increase Repairs and maintenance to 8% of the carrying value of PPE all tariffs (NERSA regulated electricity tariffs excluded) must increase with another 43.7% over and above the current proposed tariff increases.
- This norm can only be applied in municipalities with historical infrastructure values with minimal investment in new infrastructure.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Debtors management

- Net debtors days included in the report was calculated including all receivables and not only consumers. Net debtors days should therefore be 2017: 50 days, 2018: 47 days and 2019: 44 days.
- The provision for bad debt for the year under review is dependent on what happens in the debtors' book and not what is to be written-off. There is a difference between the concept of impairment and writing-off of irrecoverable debt. Therefore the NT norm of 100% should be reviewed. Methodology has been audited by the AG with no findings.
- Council has a Writing-off of Irrecoverable Debt Policy with two incentives and all outstanding debt older than 90 days is simply not written-off because some of the debt is recoverable.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Debtors management

- The debtors days norm of 30 days, due to the prescripts of the National Credit Act, should be revised to at least 45 days due to three critical factors:
  1. Gross debtors in the notes to the annual financial statements, in terms of the GRAP Accounting Standards, includes accrued water and electricity revenue which is only billed in July the next financial year. Bad debt provision is calculated only what appears outstanding in the real debtor's book and not in the "inflated" debtors' book
  2. Billed revenue in June each year is only payable in July of the next financial year. The norm should be 45 days which was always the acceptable norm before MFMA Circular 71 was issued by the National Treasury
  3. In terms of the National Credit Act, a municipality must give at least 14 days written notice of an action to be taken against a defaulter and that date takes you past the norm of 30 days

Credibility and Sustainability

Financial Ratios and Norms

Revenue management

- Revenue growth according to the municipality's calculation averages between 5% and 6%. Calculations are based on the formula and applied to information included in the A Schedules.
- It is agreed that the current ratio is under the norm of 1.5-2:1. This is influenced by substantial investment in capital expenditure through external borrowings over the past few years and will start to improve, as the gearing ratio is brought down to a more acceptable level of 45%.
- Increasing the revenue and tax base and improving revenue collection will positively affect the cost coverage and current ratio over the medium to long term. This however will be hampered by the current economic climate and exacerbated even more with the impact of the pandemic on the short term.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA
Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Revenue management

- Drakenstein Municipality has a dedicated Revenue Enhancement and Expenditure Management Committee that was mandated to focus on revenue generation and protection as well as cost containment measures and the implementation of associated action plans.
- This committee is comprised of individuals from various functions across the municipality to ensure an holistic approach covering a multitude of disciplines.
- There has been many successes that has been achieved by this committee and the focus will be even more sharpened in order to dilute the impact of COVID-19 on available resources.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Liability Management

- The debt (gearing ratio) will decrease to 54.9% by the 2022/23 financial year and 42.8% by 2024/25 as no loans will be taken up for capital investments. Increased grants from the national and provincial fiscus will greatly assist to achieve a gearing ratio of under 45% even quicker.

Financial ratios and norms	2018/19	2019/20	2020/21	2021/22	2022/23
Debt (Total Borrowings)/Revenue: 45%	78.9%	73.1%	64.6%	62.0%	54.9%

- Capital cost as a % of total operating expenditure will also be reduced over the next five (5) financial years, as the municipality starts scaling down on its use of loans to fund capital expenditure.

Financial ratios and norms	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure: 6% - 8%	12.2%	5.8%	8.1%	7.5%	9.2%

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Liability Management

- The norm of 6% - 8% for the capital cost ratio should be reviewed as it does not correlate to the NT gearing ratio norm of 45%. For example, by 2024/25 the gearing ratio for DM is envisaged to be 42.8%, whilst the capital cost ratio is calculated to be 9.2%. The ratio over the MTREF is below the norm set by the municipality's Borrowings Policy of 15%.
- The Municipality disagrees with the calculation of the creditors payment period. It seems that certain key components in the calculation was either incorrectly excluded, whilst other components were incorrectly included. Further, although the creditors payment period for 2018/19 seems above the norm, it was due to two ESKOM invoices included in the closing balance of trade creditors, which was not the case in prior years. This was documented by the AG and recorded in the final management report as such.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Financial Ratios and Norms

Expenditure Management

- With the implementation of mSCOA, the norm (2% to 5%) applied to Contracted Services should be revisited as previous expenditure categories were replaced and a whole host of transactions can now be defined as contracted services where previously it was not the case.
- A specific example is an amount of R71m that is funded by the Department of Human Settlements for the building of houses which is currently included as "Building Contractors".
- The increase in Irregular Expenditure is related to SCM matters that was identified during the 2017/2018 financial year audit. The more material matter (COMAF 1) is one that was heavily disputed by the municipality and is based on a difference in interpretation.
- The process was finalized in terms of Council's Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy.

Paarl | Wellington | Gouda | Saron | Simondium 45 A city of **excellence**

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Budget Overview

- The municipality notes all comments and recommendations from Provincial Treasury and would like to highlight the following:
  - ➢ The municipality is in the process of evaluating the impact of COVID-19 on the 20/21 financial year.
  - ➢ This exercise is unfortunately based on a lot of uncertainty and assumptions done to the best of our ability.
  - ➢ Part of the approach is to run a dual approach with the adjustments budget to ensure that the impact is recorded in the correct financial year.
  - ➢ Capital expenditure as at 30 April 2020 is 58.78% when measuring actuals with the budget and 85.07% when measuring the actuals and committed against the budget.
  - ➢ Update of Long-term Financial Plan with status quo and impact of COVID-19.

Paarl | Wellington | Gouda | Saron | Simondium 46 A city of **excellence**

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Credibility and Sustainability

Water Losses

Key findings and recommendations	Municipal Response
Water losses amounted to 13.2 per cent for the 2018/19 audit outcome. The losses are of great concern as the Municipality has previously been cautioned to be mindful of the sustainability of the service over the long term by ensuring it is managed effectively through appropriate strategies which might include reticulation leak repair, proactively planning of repairs and maintenance guards against an increase in losses of this magnitude	The comment of the Department is noted. It should however be mindful that the acceptable norm for water losses as set out in "the National Norms and Standards for Domestic Water and Sanitation" as issued by the National Department of Water and Sanitation indicates a norm of 15%, meaning that DM is below this norm - in fact DM had already implemented various pressure control interventions number years ago, as to decrease its water losses. DM is proactive with planning and replacement of old water infrastructure, but is hampered by a lack of sufficient grants to assist in this manner.

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

mSCOA Implementation

Key findings and recommendations	Municipal Response
The Municipality has failed to budget for is emergency based maintenance	The municipality will cover emergency based maintenance in the final budget
Majority of costs that have been allocated as Municipal Running Costs could be allocated as a typical work stream.	The Municipality will identify items listed as running costs and try allocate some of these to Typical Work streams
Depreciation and amortisation has been allocated to a funding source. This item is a non-cash item and should not be linked to a funding source.	Will be rectified with the final budget.
It was identified that two data sources were not perfectly aligned only on Table A7 and Table A9. The Municipality is therefore advised to correct these in its final budget strings.	Management takes note. We are however dependent on our service provider to finalise development and implement changes on the system. They indicated that they are awaiting more guideline from NT in order to finalise.

Areas for Integrated Service Delivery, Collaboration, Support and other matters

Cemeteries

- Limited burial space in all cemeteries in Drakenstein municipal area
- In light of COVID-19 DM appreciates assistance offered by DEADP re environmental authorization to be expedited

Safe Havens

- Drakenstein Municipality like many other municipalities face a huge challenge with homeless people living on the street
- It is not safe and dignified
- Lack of suitable land and space to develop safe haven facilities
- We need support from the Provincial Departments to find sustainable management solutions to deal with the challenges of people living on the street in an urban setting especially now as the homeless have been housed during the pandemic and would expect the same even after lockdown has reached level 1
- Concern regarding post COVID assistance

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Waste

- Waste air space is running out. An application for height extension is being considered by DEADP. DM is working on additional information required by DEADP
- Collaboration is taking place with the Cape Wineland's District Municipality to explore regional solutions.
- Cape Winelands District Municipality might be interested to invest in regional waste diversion infrastructure at the Wellington Landfill site

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Strategic Integrated Management Engagement

Social impact of COVID-19

- Increased unemployment
- Possible social unrest due to limited resources
- Effect on education levels due to varying ability to engage on-line
- Stimulation of the economy : all business sectors

Possible opportunity of COVID-19

- New way of business for local government: remote, efficiencies

DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

A city of **excellence**

Thank you